

Income/Franchise:

Pennsylvania: Updated Bulletin on Net Loss Deduction Limitations Under IRC §§ 381 and 382 Addresses IRC §163(j)

Corporation Tax Bulletin 2008-03: Net Loss Deduction Limitations Under Internal Revenue Code Section 381 and Section 382, Pa. Dept. of Rev. (rev. 10/11/23). The Pennsylvania Department of Revenue (Department) issued an updated state corporate net income tax (CNIT) bulletin addressing the application of Internal Revenue Code (IRC) sections 381 and 382 in the calculation of the CNIT. The updates primarily deal with IRC section 163(j), explaining that it is necessary to address the impact on the amount of net loss deductible for CNIT purposes in tax periods commencing after the initial period affected by the amendments to IRC section 163(j) contained in the federal Tax Cuts and Jobs Act of 2017. As part of the updated bulletin's lengthy discussion on the ramifications of IRC section 163(j), it provides that if a taxpayer is unable to claim any deduction for previously disallowed interest expense under IRC section 163(j) or any capital loss carryover on its pro-forma Federal Form 1120 in the current year, there is no impact to its Pennsylvania IRC section 382 limitation for that year. Please contact us with any questions.

URL: https://www.revenue.pa.gov/TaxLawPoliciesBulletinsNotices/TaxBulletins/CT/Documents/ct_bulletin_2008-03.pdf

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