



This Week in State Tax (TWIST)

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Pennsylvania: Legislation Expands Net Operating Loss Limitation

For the current 2024 tax year, the use of Net Operating Loss (NOL) carryforwards is limited to 40 percent of a corporation's taxable income. Pennsylvania Senate Bill 654, which was signed into law July 11, 2024, gradually increases the limitation to 80 percent of taxable income for losses incurred in tax years beginning after December 31, 2024. Specifically, for tax years beginning after December 31, 2024, the use of NOLs will be governed by a new statutory section. The new section preserves the 40 percent of taxable income limitation for NOLs incurred in tax years prior to January 1, 2025. Beginning with the 2026 tax year, the limitation on the use of NOLs incurred in tax years beginning after December 31, 2024 gradually increases. The limitation for post-2024 NOLs will be 50 percent in the 2026 tax year, and this amount is increased by 10 percent each year until the 2029 tax year when the limitation for NOLs incurred in tax years after December 31, 2024 reaches 80 percent. However, it should be noted that total taxable income that can be offset through the use of pre- and post-2024 NOLs cannot exceed the allowed percentage for the post-2024 losses in any one year. Please contact [Mark Achord](#) with question on Senate Bill 654.

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