

2025 MICHIGAN Net Operating Loss Deduction

Issued under authority of Public Act 281 of 1967, as amended.

Type or print in blue or black ink.

Include with Form MI-1040 and Schedule 1. All NOL deductions must be supported by MI-1045(s).

Attachment 30

Filer's First Name	M.I.	Last Name	Filer's Full Social Security No. (Example: 123-45-6789) — —
If a Joint Return, Spouse's First Name	M.I.	Last Name	Spouse's Full Social Security No. (Example: 123-45-6789) — —

1. Check the box and see instructions if there was a change in filing or marital status in any of the years since an NOL was created.

2. Enter Total Group 1 NOLs as a positive number	2.		00
3. Enter Total Group 2 NOLs as a positive number (see instructions).....	3.		00
4. Adjusted Gross Income from MI-1040, line 10	4.		00
5. Additions from Schedule 1, line 9	5.		00
6. Subtractions from Schedule 1, line 29 (enter as a negative number).....	6.		00
7. Income subject to tax before Michigan NOL deduction. Combine lines 4 through 6. If negative, enter "0" here and skip to line 12.	7.		00
8. Multiply line 7 by 80% (0.80)	8.		00
9. Allowable Group 2 NOL. Enter the lesser of line 3 or line 8.....	9.		00
10. Tentative Michigan NOL Deduction. Add lines 2 and 9.	10.		00
11. 2025 Michigan NOL Deduction. Enter the lesser of line 7 or line 10 here and on Schedule 1, line 30. Do not complete line 12	11.		00
12. Combine lines 2 and 3. Enter here and on Schedule 1, line 30	12.		00

Instructions for Michigan Net Operating Loss Deduction (Form 5674)

Purpose

Form 5674 is used to compute the current year Michigan net operating loss (NOL) deduction from available Group 1 and/or Group 2 NOLs. Form 5674 is required when claiming an NOL deduction on the Michigan Schedule 1. Both the Schedule 1 and Form 5674 must be included with the MI-1040 when claiming an NOL deduction. This form is supported by Schedule MI-1045 for the loss year. For more information on NOLs, see *Michigan Net Operating Loss Schedule* (Schedule MI-1045) instructions.

Group 1 NOLs

Group 1 NOLs are those created in 2017 and prior. A Group 1 NOL has a carryforward period that is limited to 20 consecutive years following the loss year.

Group 2 NOLs

Group 2 NOLs consist of Group 2 CARES and Group 2 TCJA and are created in 2018 and future years. A Group 2 NOL can be carried forward indefinitely. Michigan follows IRC 172, therefore, any carryforward of a Group 2 NOL beginning January 1, 2021 is limited to the lesser of the Michigan NOL deduction or 80 percent of Michigan taxable income before exemptions. Group 2 NOLs also include any Michigan excess business loss from the previous year, if applicable. The Michigan excess business loss may only be carried forward.

NOL Carryforward

To claim a carryforward of a Group 1 NOL(s) and/or a Group 2 NOL(s), complete Form 5674 to determine your Michigan NOL deduction. The NOL deduction computed on Form 5674 is entered on Schedule 1 as a subtraction. For tracking purposes, required modifications are applied to Group 1 NOLs first, then to Group 2 NOLs after Group 1 is exhausted or expired. After modifications any unused NOLs are combined in their respective group, Group 1 or Group 2. All NOLs must be substantiated on a Schedule MI-1045 with required supporting documentation for each loss year (see “Required Supporting Documentation”). The NOL carryforward must be reported in consecutive years including those without Michigan taxable income before exemptions. A schedule demonstrating how the Michigan NOL was absorbed must be included. For assistance, refer to the “Michigan NOL Carryover Worksheet” available on Treasury’s website.

The amount of the combined Michigan NOL carryover must be reduced by any Michigan sourced excess capital loss and other modifications required under IRC 172 or elections under IRC 965 claimed in the previous carryover year. For example, if excess capital loss was in your 2024 adjusted gross income (AGI) and was used to reduce Michigan taxable income, your NOL carryforward claimed in 2025 must be reduced by the Michigan sourced excess capital loss to the extent the deductions reduced 2024 Michigan taxable income before exemptions. Due to ordering rules, an NOL must be used first to reduce Michigan taxable income before an excess capital loss.

Keep all records that substantiate an NOL for 6 years after the NOL expired or was absorbed.

Line-by-Line Instructions for Form 5674

Lines not listed are explained on the form.

Line 1: If there was a change in filing or marital status in any years since an NOL was created, the allowed NOL deduction may be affected. See IRS Publication 536 to determine how to compute your share of a Michigan NOL and/or how to recompute your Michigan income subject to tax, in accordance with your situation for purposes of this form. Complete Form 5674 according to the form instructions, except when instructed differently below.

If your situation requires you to recompute your Michigan NOL: Enter any recomputed Group 1 NOL(s) on line 2. Enter any recomputed Group 2 NOL(s) on line 3. Include a separate computation showing how the Group 1 and/or Group 2 NOL(s) were recomputed.

If your situation requires you to recompute your Michigan income subject to tax on this form: Enter your share of AGI included in MI-1040, line 10 on line 4. Enter your share of additions included in Schedule 1, line 9 on line 5. Enter your share of subtractions included in Schedule 1, line 29, as a negative number, on line 6.

Include a separate statement detailing which items of income or loss included in AGI are yours, include the type and location for each item listed. **Do not include a loss created in the current year.**

Line 3: Enter your Group 2 NOLs here. The CARES Act temporarily suspended the federal excess business loss limitation for tax years 2018, 2019 and 2020. If you did not amend your return to absorb the excess business loss in the year(s) in which it occurred, the excess business loss becomes a Group 2 NOL.

Line 12: If income subject to tax before any Michigan NOL deduction (line 7) is zero or less, there is no income to be offset by a Michigan NOL deduction. This line combines the Group 1 and Group 2 NOL(s) to report the NOL carryforward. However, after required modifications, any unused NOLs are combined in their respective group, Group 1 or Group 2.

Required Supporting Documentation

To help reduce processing delays, review the following to ensure all supporting documents are included when claiming an NOL deduction.

- MI-1045 and all supporting documentation (if not already provided to the Michigan Department of Treasury for the loss year). See *Michigan Net Operating Loss Schedule* (Schedule MI-1045) instructions.
- A schedule demonstrating how the Michigan NOL was absorbed. For assistance, see “Michigan NOL Carryforward Worksheet” available on Treasury’s website.
- If the box on Form 5674, line 1 is checked, provide the calculation showing how you redetermined your Michigan NOL and/or Michigan income subject to tax.