



### **Texas Franchise Tax Notification about Business Loss Carryforwards**

The state of Texas recently began sending out notices to the reporting entity of combined group requesting additional information related to the Texas Business Loss Carryforward. The notice requests the reporting entity provide the Texas Business Loss Carryforward as of January 1, 2008 for each affiliate of the combined group. Additionally, the entity or individual that owned more than 50% of all of the entities as reported on the 2008 combined franchise tax report must also be provided.

The deadline to respond to the notice is **October 31, 2011**. Failure to respond will result in loss of the Texas Business Loss Carryforward claimed on the 2008 through 2011 reports and will also result in the loss of the temporary credit for future franchise tax reports.

When the franchise tax changed in 2008 entities with business loss carryforwards were allowed to preserve such losses by filing form 05-172, Texas Franchise Tax Preservation of Temporary Credit. By filing this form the entity preserved the loss and is allowed to take a credit on the franchise tax due beginning with the 2008 report through the report due in the year 2027.

The information provided on the notice will allow the state of Texas to determine if the entity was eligible to receive the temporary credit for business loss carryforwards. It should be noted that changing combined groups or leaving a combined group results in loss of the business loss carryforward.

If you receive a notice be sure to contact your Salmon Sims Thomas tax professional.

[cmedrano@sstcpa.com](mailto:cmedrano@sstcpa.com), [jmiller@sstcpa.com](mailto:jmiller@sstcpa.com), [ralexander@sstcpa.com](mailto:ralexander@sstcpa.com)