

2025 BIRT Schedule LCF Instructions (for acquired net operating losses – LCF) from acquisitions)

Tax regulations and forms are available at www.phila.gov/revenue

Use the BIRT Schedule LCF to report and calculate net operating losses (LCFs) from business entities acquired after Tax Year 2024 in accordance with IRC §381 or IRC §382. Only taxpayers that are structured as corporations may utilize this BIRT Schedule.

GENERAL INSTRUCTIONS: This form must be completed and submitted only once per acquired entity, in the first year that the loss carryforward is claimed. Submit a separate Schedule LCF for each acquired entity. Attach documentation supporting the loss carryforward and ownership details.

Do not use this schedule to report losses generated by the taxpayer itself. This form applies only to losses acquired from other entities. All calculations and limitations must reflect the treatment reported to the IRS under the applicable Internal Revenue Code section and the BIRT regulations.

In these instructions:

- The *acquiring* entity will be referred to as **Company A**; and
- The *acquired* entity or target company will be referred to as **Company B**

In the header of each page, complete the following fields using information pertaining to the *acquiring*

Information about the acquired entity Complete this section using information about the business entity that has been acquired, or as Company B:

- Name of Acquired Business – Full legal name of the acquired entity as registered with the Philadelphia Department of Revenue.
(Company B)
- PHTIN of Acquired Business – Philadelphia Taxpayer ID Number of the acquired entity.
(Company B)
- EIN of Acquired Business – Federal Employer Identification Number of the acquired entity.
(Company B)
- Date of Acquisition – Enter the date on which the acquiring entity, the entity filing this Schedule, obtained control.

entity (also referred to as the parent company or taxpayer filing the BIRT return), or as Company A.

- PHTIN – Philadelphia Taxpayer Identification Number of the *acquiring* entity. (Company A)
- EIN – Federal Employer Identification Number of the *acquiring* entity. (Company A)
- SSN – If applicable, the Social Security Number of the *acquiring* entity. (Company A)

IMPORTANT REMINDERS:

- Submit one Schedule LCF per acquired entity.
- This form may only be submitted once per acquisition.
- Keep records to substantiate calculations, including FMV appraisals, IRS filings, and apportionment percentages.
- LCFs must be used in accordance with applicable IRC limitations and Philadelphia regulations.



- Percent Ownership in Acquired Business – Enter the ownership percentage obtained in the acquired business. (Ownership percentage that Company A has in Company B)

Select the IRC Provision Applicable:

- IRC §381 - If only §381 applies. (No IRC §382 limitation applies); or

- IRC §382

Indicate the Total Available Loss Carryforward from Acquired Business – Use the total net operating loss available at the time of acquisition. (Company B). Use the applicable section below to complete this field.

PART A: For Taxpayers Claiming IRC §381 or IRC §382

This section calculates the pro-rata ownership period in the acquisition year and determines the loss allowed in the first year under §381 or §382. **Lines 1 to 3 apply to all taxpayers utilizing this Schedule.**

Line 1: Number of days remaining in tax year After Acquisition - enter the number of days remaining in the taxpayer's tax year starting on the day after the acquisition date.

Line 2: Total days in the tax year - Generally, enter 365 (or 366 for leap years).

Line 3: Pro-Rated Percentage Remaining in Tax Year After Acquisition - Divide Line 1 by Line 2. This represents the portion of the tax year during which the acquired business (Company B) was owned (by Company A). Must not exceed 1.000 (100%).

Next step for Part A:

If only §381 applies. (No IRC §382 limitation applies), proceed to Line 4 and Line 5.

If claiming under IRC §382, skip to Line 6 and enter the Line 3 percentage on Line 11.

Line 4: Net Income Reported (Method I or II) - Enter the acquiring entity's (Company A) net income using either: BIRT Schedule A: Line 9 or BIRT Schedule B: Line 7

Line 5: Allowable LCF to be Used in First Year (IRC §381 only) - Multiply Line 3 by Line 4. This is the allowable first year loss carryforward in the acquisition year under §381. Enter this amount on either: BIRT Schedule A: Line 13, or BIRT Schedule B: Line 11.

PART B: For taxpayers claiming IRC 382 This section calculates the annual loss limitation under IRC §382, as applied to the BIRT.

Line 6. Fair Market Value (FMV) of Acquired Business - Enter the FMV as reported to the IRS at the time of acquisition. The FMV of the acquired business (Company B). Do Not Use the FMV of the Consolidated Group.

Line 7. Long-Term Tax-Exempt Rate - Enter the IRS-published long-term tax-exempt rate applicable on the acquisition date. The long-term tax-exempt rate used for IRC Section 382 limitations is determined by the IRS each month and is the highest of the "adjusted Federal long-

term rates" for the current month and the two preceding months.

Line 8: IRC §382 Federal Limitation Amount (Annual) - Multiply Line 6 by Line 7. This is the federal IRC §382 limitation.

Line 9: Philadelphia Apportionment Percentage - Enter the apportionment percentage applicable to Philadelphia on this line. For its application to the Philadelphia net operating loss deduction, the net operating loss limitation prescribed by section 382 of the Internal Revenue Code shall be apportioned



to Philadelphia using an average of the transferor corporation's (Company B) Philadelphia apportionment factors reported for the prior three (3) years.

Line 10: Philadelphia Annual LCF Limitation (Post-Acquisition Years) - Multiply Line 8 by Line 9. Round to the nearest dollar.

Line 11: Pro-Rated Ownership Percentage based on days remaining in the tax year from the date of acquisition. (From Line 3) - Enter the value reported on Line 3 of this schedule.

Line 12: Philadelphia LCF Limitation in Year of Acquisition - Multiply Line 10 by Line 11. This is the allowable Philadelphia IRC 382 LCF amount to be used in the acquisition year.

PART C: Built-In Gains (IRC §382 Only) Complete this section only if a "Recognized Built-In Gain" (RBG) has occurred within the five-year recognition period, as defined under IRC §382(h).

If a Schedule LCF was previously filed for the same acquisition in prior tax years and the acquired LCF remains subject to the previous limitation under IRC §382, a new Schedule LCF is required to report any RBG after the initial year of acquisition.

For any refiled Schedule LCF submitted due to an RBG, all line items above line 13 must reconcile exactly with the information reported on the original Schedule LCF filed for the acquisition year.

Line 13: Recognized Built-in Gain - Enter the RBG as reported to the IRS with the recognition period, as defined under IRC §382(h)

Line 14: Philadelphia Apportionment Percentage - Use the same percentage as Line 9 from the original filed Schedule LCF.

Line 15: Philadelphia RBG within Recognition Period - Multiply Line 13 by Line 14.

Line 16: Total LCF Limitation (Including RBG) - If the current year is after the acquisition year: Add Line 15 to Line 10. If the current year is the acquisition year: Add Line 15 to Line 12.

PART D: Total Acquired LCF to be Used in BIRT Use this section to determine the total allowable acquired LCF for the current BIRT filing year.

Line 17: Currently available LCF from Prior Acquisitions calculated on Prior Schedule LCFs - Enter any remaining LCFs from previously acquired businesses reported in prior years. Reminder: These are businesses which have already been acquired prior to the business acquired on this Schedule LCF.

Line 18: Available LCF from This Acquisition - Enter the applicable value from one of the following lines:

- Line 5 (IRC §381)
- Line 10 (IRC §382, post-acquisition year)

- Line 12 (IRC §382, in the acquisition year)
- Line 16 (IRC §382 with built-in gains)

Line 19: Total Acquired LCF to Use in Current Year - Add Lines 17 and 18. Enter this total on one of the following:

- BIRT Schedule A, Line 12
- BIRT Schedule B, Line 10
- BIRT-EZ, Page 2, Line 4