

The Baratelli Brief

Practitioner analysis for principals, family offices, CPAs, attorneys, and investors

PART TWO · SPECIAL BRIEF

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Four Companies with Significant Net Operating Losses

Part Two — the worked examples — Lyft, Cleveland-Cliffs, SNAP, and General Motors, read out of the income-tax footnote

Net operating losses are not simply a footnote. They are deferred tax assets that, against future taxable income, deliver cash-tax savings. The size and timing of that savings is shaped by §382, §172, the TCJA 80% cap, state non-conformity, and acquisition history. This Brief walks four U.S. public-company NOL positions — Lyft, Cleveland-Cliffs, SNAP, and General Motors — spanning rideshare, steel, social media, and the auto OEM. We pick four not because they are the largest (SpaceX is materially larger than any name here, and other large carryforwards live elsewhere). We pick four because they are good teachers.

Most analysts treat the income-tax line as a number to flow through. It is in fact two numbers — the GAAP provision and the cash tax actually paid — and the gap between them is where the NOL shield lives. A reader who opens a 10-K, finds the loss on the income statement, and concludes *that* is the NOL the company can carry forward, has misread the filing. The GAAP loss is a book number. The NOL is a tax number, computed on the tax return, not the income statement. The tax footnote is where the cash shield lives. We always read it.

This is Part Two of a two-part set. Part One — *Baratelli Foundations: How Net Operating Losses Work* — is Section 1: the framework, the limits, and the accounting, with no company figures in it. It is free to read and free to share, and this Brief assumes it rather than repeating it. Cross-references below to Section 1.1 through Section 1.14 point into that document. Both are published at baratelliinstitute.com.

START HERE IF NOLs ARE NEW TO YOU

If net operating losses are new to you, read Part One first. This Brief opens on four live company positions and reads their income-tax footnotes at practitioner speed. It does not stop to define an ownership change, explain why the GAAP loss is not the tax loss, or walk the journal entries that carry a deferred tax asset from the return to the cash flow statement. Part One does all of that, at no cost and with no signup:

baratelliinstitute.com/how-net-operating-losses-work.html — readable in full on the page, or downloadable as *Baratelli_Foundations_NOL_Reference.pdf*. Everything in this Brief will land harder on the other side of it.

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The framework in short

Part One develops all of this properly, with the code sections, the journal entries, and the worked mechanics. What follows is the minimum a reader needs to make sense of the four company profiles without leaving this document. Each item points to where Part One takes it up in full.

1. The GAAP loss is not the NOL.

The loss on the income statement is a book number computed under GAAP. The net operating loss is a tax number computed on the return, after temporary differences, permanent differences, and items the tax code treats on a different schedule than the books do. The two are related and they are not equal. Reading the first and reporting it as the second is the most common error in this area. *Part One, Sections 1.7 through 1.9.*

2. The NOL is not the deferred tax asset.

The carryforward is a gross attribute measured in dollars of loss. The deferred tax asset is that attribute multiplied by an expected tax rate. A \$10 billion carryforward is not a \$10 billion asset. *Part One, Section 1.1.*

3. The 80% cap means a large carryforward does not get a company to zero cash tax.

Post-2017 losses can offset no more than 80% of taxable income in any year. A company with billions in preserved NOLs and real pre-tax income still writes a federal check every year, at a residual effective cash rate, for as long as the carryforward lasts. Modeling those years at 21% is wrong; modeling them at zero is wrong in the other direction. *Part One, Section 1.2.*

4. §382 caps annual use after an ownership change.

Once cumulative five-percent-shareholder ownership shifts by more than fifty percentage points over a rolling three-year window, annual use of the pre-change attribute is limited to the corporation's equity value at the change date multiplied by the published long-term tax-exempt rate for that month. Both inputs are fixed at the date of the change, which is why the date matters as much as the arithmetic. *Part One, Sections 1.3 through 1.5.*

5. A valuation allowance is a statement about expected profits, not about whether the attribute exists.

When realization is not more likely than not, ASC 740 requires the deferred tax asset to be written down. The carryforward is still there, still usable, and still worth cash if the company turns. A full valuation allowance means the balance sheet shows nothing and the tax footnote shows everything. *Part One, Section 1.10.*

6. States do not conform.

Federal treatment tells a reader nothing reliable about state carryforwards. Carryforward periods, cap percentages, apportionment, and suspension periods all vary, and a state NOL can be worth materially more or less than a proportional share of the federal one. *Part One, Section 1.6.*

7. The corporate alternative minimum tax is a floor under all of it.

For companies inside the size test, a 15% minimum on adjusted financial statement income can claw back part of the shield, and an NOL-dominated shelter is more exposed to it than a credit-dominated one. Any cash-tax claim for a large-cap NOL stack has to be tested against that floor. *Part One, Section 1.14.*

WHERE THE FRAMEWORK LIVES

Everything above is developed in full, with the statutory citations and the accounting entries, in Part One — *Baratelli Foundations: How Net Operating Losses Work*, free at baratelliinstitute.com/how-net-operating-losses-work.html. This Brief does not repeat it.

A note on numbers

All company-specific figures below are taken directly from each issuer's most recent 10-K or 10-Q, cited inline, and each carries the date on which it was measured. That date is set by the filer, not by the date on this Brief, and where the two are far apart the gap is stated rather than smoothed over. Estimated NOL deferred-tax assets in the per-company tables apply the 21% federal statutory rate and ignore state-level NOLs, valuation allowances, and the TCJA 80% utilization cap, which affects timing rather than ultimate use. Correctly sourced is not the same as current, and this Brief tries not to confuse the two.

Section 2 — Four Worked Examples

Four companies, four different NOL stories. Lyft (rideshare, VC-funded), Cleveland-Cliffs (integrated steel, acquisition-driven), Snap (social media, VC-funded), and General Motors (auto OEM, bankruptcy-preserved). Numbers come from each issuer's most recently disclosed 10-K or 10-Q, cited inline.

Company	Ticker	Industry	Federal NOL (\$B)	Credit Carryforwards (\$B)	Vintage / Key Driver
Lyft	LYFT	Rideshare / Mobility	7.9	—	Pre-IPO + post-2018; VA released Q4 2025
Cleveland-Cliffs	CLF	Integrated steel	4.83 (domestic)	—	Acquisition + capex-driven; grew 1.3 in 2025
Snap Inc.	SNAP	Social media	6.5	1.17 (tax-credit c/f)	Full VA maintained; FY2025 10-K; \$4.4B state NOL detailed in Section 2
General Motors	GM	Auto OEM	1.83 gross (0.385 DTA)	6.9	\$363 sale (2009); Notices 2008-76 / 2009-38 + EV-realignment

Note on the GM row: General Motors' dominant U.S. tax attribute is the \$6.9B stack of **tax-credit carryforwards** (R&D, foreign tax credits, IRA production credits), not the operating-loss DTA. Credit carryforwards reduce tax liability dollar-for-dollar; NOLs reduce taxable income at the statutory rate. Credits belong to the permanent-difference and rate-reconciliation family set out in Part One, Section 1.9, not to the temporary-difference schedule. The reframe is walked in Section 2 (GM block).

Four companies; SpaceX is not on the list, intentionally. SpaceX carries a larger NOL than any name in this Brief — the Institute's separate **SpaceX case study** (baratelliinstitute.com/cases/spacex) addresses the SpaceX NOL position in detail. The four names here are chosen for their value as teaching cases.

Lyft, Inc. (LYFT)		Rideshare / Mobility (VC-funded IPO)
Gross federal NOL (latest 10-K)	\$7.9B U.S. federal; \$6.4B U.S. state; \$557M foreign (per FY2025 10-K Note 13 — Income Taxes)	
Vintage	Mixed — pre-IPO carryforwards (pre-2018, expiring 2034-2037) + post-2018 layer indefinite	
Deferred tax asset as filed (basis stated per company)	\$2.25B federal NOL DTA as disclosed in the FY2025 footnote — sitting at net on the balance sheet following the Q4 2025 valuation-allowance release. Note the disclosed DTA exceeds 21% of the \$7.9B gross federal NOL (\$1.66B) because the footnote line also carries pre-2018 vintage layers and acquired attributes; it is not a 21% multiplication of the gross balance.	
§382 limitation status	March 2019 IPO and subsequent secondaries monitored; company discloses utilization is subject to §382 — no specific triggering event quantified in current footnote	

Lyft is the cleanest worked example in this Brief, and the single most useful case in the library for understanding how the book-tax framework plays out in a live filing. Three points from the FY2025 10-K (Note 13):

(1) Insurance reserves are exactly the kind of book-tax difference the Institute flagged. Lyft's insurance reserves totaled \$2.18B at December 31, 2025 (Note 8). The corresponding "Insurance reserves and accruals" deferred tax asset in Note 13 is \$425.5M — the second-largest DTA on the schedule, after the NOL itself. That confirms the practitioner's instinct that the book reserve runs ahead of the tax deduction on a meaningful scale. The reserve grew \$479M during 2025 (per the cash flow statement), so the timing difference is widening, not narrowing — precisely the dynamic Part One, Section 1.8, anticipates for a self-insured operating model with a captive insurance subsidiary.

(2) The valuation allowance released in Q4 2025. The VA fell from \$2.69B to \$286M — a \$2.4B benefit — on the company's conclusion of "sustained U.S. profitability, which is objective and verifiable." The footnote breaks out the \$2.9B P&L tax benefit recognized in 2025 from this release. This is the textbook ASC 740 reversal event and it drove Lyft's reported 2025 net income of \$2.84B — most of which is the non-cash tax benefit, not operating performance.

(3) The cash flow walk in Part One, Section 1.12, is happening in the filing. Lyft's 2025 cash flow statement shows deferred income tax of \$(2.895)B as a non-cash addback in the operating section — the mirror image of the tax benefit on the income statement. Free cash flow for the year was \$1.12B versus net income of \$2.84B. The divergence is the cleanest illustration of why we read the tax footnote first.

The Institute's longer-form **free** Lyft case study walks the cash-tax shield model and the §382 sensitivity. Treat it as the deep-dive companion to this Brief entry.

Position disclosure. The author owns the stock in Lyft, Inc. (LYFT). Nothing in this profile is a

recommendation to buy, sell, or hold any security. See Section 5 for the full disclosure and the Institute's trading-blackout policy.

Source: Lyft, Inc. Form 10-K for fiscal year ended December 31, 2025 — Note 8 (Insurance Reserves), Note 13 (Income Taxes), Consolidated Statements of Cash Flows; Baratelli Institute, "Lyft: Library Case Study" (baratelliinstitute.com/cases/lyft).

Cleveland-Cliffs Inc. (CLF)		Integrated steel / Heavy industrial
Gross federal NOL (latest 10-K)	\$4.83B gross domestic (federal + state); \$1.67B gross foreign (per FY2025 10-K, Income Taxes note)	
Vintage	Mixed — acquired stacks from 2020 (AK Steel, ArcelorMittal USA) and 2024 (Stelco); plus 2025 organic growth of \$1.28B in domestic NOL	
Deferred tax asset as filed (basis stated per company)	\$778M total operating-loss-and-other-carryforwards DTA per the FY2025 footnote. This is a combined federal and state figure and includes carryforwards other than NOLs; it is not a federal-only NOL DTA and should not be compared to 21% of a federal gross balance.	
§382 limitation status	Two U.S. ownership changes at the target level: AK Steel (closed March 13, 2020, \$1.1B equity value) and ArcelorMittal USA (closed December 9, 2020, \$1.4B). §382 base limitations apply to those acquired stacks at the rate published for each change month. The 2024 Stelco acquisition is not a §382 event — Stelco is an Ontario corporation and its carryforwards sit in the foreign bucket under ITA §111(5). The 10-K does not break out an aggregate limitation, and the Institute does not estimate one here; see the discussion at (1a) for why.	

Cleveland-Cliffs is the worked example of a capital-heavy industrial: massive PP&E base, MACRS-vs-GAAP depreciation timing difference as the dominant book-tax delta, and an NOL stack that grew \$1.28B in a single year (2024 to 2025) on the back of a \$1.5B GAAP loss in 2025. Three points from the FY2025 10-K:

(1) MACRS-vs-GAAP depreciation is the structural driver. The footnote discloses a \$1.015B deferred tax *liability* for "Property, plant and equipment and mineral rights" — this is the accumulated timing difference where MACRS plus §168(k) bonus depreciation has run ahead of GAAP straight-line, and the company will pay it back over the assets' remaining lives. For a steel mill operator with billions in PP&E this is the largest single line in the deferred-tax schedule. The "Depreciation" row of Part One, Section 1.8, is exactly this dynamic at industrial scale.

(1a) The §382 base limitations are not separately disclosed — and this is where the measurement date does the damage. Cleveland-Cliffs does not aggregate a single §382 annual base limitation across its acquired stacks, so any figure a reader sees is somebody's estimate. Two U.S. change events are in scope: AK Steel, closed March 13, 2020 at \$1.1B of equity value, and ArcelorMittal USA, closed

December 9, 2020 at \$1.4B. The 2024 Stelco acquisition is not one of them — Stelco is Ontario-domiciled and its losses run under ITA §111(5), not §382.

The limitation is equity value at the change date times *the rate published for that change month*, and 2020 was the bottom of the rate cycle. The IRS long-term tax-exempt rate stood at 0.89% in July 2020 against 3.77% for August 2026 — a fourfold spread. Applying a current rate to a 2020 change date, which is the error that produces the comfortable answers, overstates these limitations by roughly that multiple. On the 2020-vintage rates the two stacks together support an annual base limitation in the low tens of millions, not the low hundreds.

We stop there rather than print a number. Two disclosed-unknowns sit between that base figure and a usable cap. §382(h) increases the limitation for five years by recognized built-in gain where the loss company had net unrealized built-in gain at the change date, and an integrated steel producer carrying appreciated mills and mineral rights is a live candidate for a large NUBIG adjustment. And the acquired stacks are a subset of the \$4.83B gross domestic balance; the 2025 organic loss of \$1.28B is Cliffs' own and carries no limitation at all. **The honest read is that the constraint is undeterminable from the filings, and that the direction of the common error is to understate it.** A model that assumes the caps are non-binding is making an assumption, not reading a disclosure.

(2) The 2025 loss flowed straight into the NOL stack. Gross domestic NOL carryforwards rose from \$3.55B at year-end 2024 to \$4.83B at year-end 2025 — growth of \$1.28B in a single year, consistent with the company's \$1.5B GAAP loss. Foreign NOLs (largely Canadian, including the 2024 Stelco acquisition) grew from \$1.51B to \$1.67B. Federal NOLs begin expiring 2034 (pre-2018 vintage); post-2018 vintage is indefinite.

(3) The valuation-allowance posture is informative. Total VA of \$394M sits against only foreign deferred tax assets (\$347M) and certain state NOLs expected to expire before utilization (\$47M). The U.S. federal NOL carries *no* valuation allowance — management has concluded it is more-likely-than-not the federal stack will be utilized against future U.S. taxable income. That is a meaningful disclosure about management's view of the steel cycle.

The Institute's longer-form **free Cleveland-Cliffs case study** (baratelliinstitute.com/cases/clf) walks the valuation framework around the NOL stack and the through-cycle earnings model. Use it as the deep-dive companion to this Brief entry.

Position disclosure. The author owns the stock in Cleveland-Cliffs Inc. (CLF). Nothing in this profile is a recommendation to buy, sell, or hold any security. See Section 5 for the full disclosure and the Institute's trading-blackout policy.

Source: Cleveland-Cliffs Inc. Form 10-K for fiscal year ended December 31, 2025 — Income Taxes note (NOL carryforwards schedule, deferred-tax-asset/liability schedule, valuation-allowance roll-forward); Baratelli Institute, "Cleveland-Cliffs: Library Case Study" (baratelliinstitute.com/cases/clf).

Snap Inc. (SNAP)		Social media / Digital advertising (VC-funded IPO)
Gross federal NOL (latest 10-K)	\$6.5B U.S. federal; \$4.4B U.S. state; \$4.9B UK; \$420M Singapore (FY2025 10-K, Note 13)	
Vintage	Mixed — pre-IPO (pre-March 2017 IPO) carryforwards with the old 20-year expiration + post-2018 layer indefinite. Certain significant state NOLs begin to expire in 2031.	
Deferred tax asset as filed (basis stated per company)	\$2.87B loss-carryforward DTA plus \$1.17B of tax-credit carryforwards (FY2025 10-K). These two items sit inside a gross deferred tax asset against which a full \$4.81B valuation allowance is recorded; the \$0.77B difference between the two named items and the allowance is other deductible temporary differences, not NOL. Net DTA carried on the balance sheet is therefore nil.	
§382 limitation status	No ownership change triggered as of December 31, 2025. Cover-page non-affiliate equity value \$11.6B at June 30, 2025 — a filed but now stale measurement date; market capitalization at the August 21, 2026 close was \$8.86B (\$5.24 a share), and it is the value at the change date, not the cover-page date, that sets the §382 limitation. SNAP discloses §382/§383 testing as a risk-factor sensitivity.	

SNAP is the second VC-IPO worked example in this Brief (Lyft is the first). Same structural pattern: years of pre-IPO operating losses survived the public-market transition, post-2018 losses pile on with indefinite life, and a full valuation allowance currently writes the DTA down to zero pending sustained profitability. SNAP completed its IPO in March 2017 and continues to carry years of preserved tax losses — the VC-funded NOL pattern Section 3 develops. Pre-IPO carryforwards from the old 20-year regime are at risk of expiring before the §382 limitation has run enough to use them. Post-2018 NOLs are not subject to that issue.

The FY2025 10-K confirms the position. Income tax expense was \$9.4M (current \$6.6M, deferred \$2.8M) on a \$451M pre-tax loss; the rate-reconciliation table shows a \$110.6M change in valuation allowance — the mechanism that absorbs almost all of SNAP's book-tax differences. The full valuation allowance increased to \$4.81B in 2025 (from \$4.68B in 2024), reflecting additional 2025 losses. No ownership change was triggered.

Hypothetical — what would happen if a profitable acquirer bought SNAP. This is an educational example to walk the §382 cash-shield math. It is *not* a forecast of any acquisition. We do not name a specific acquirer; assume a generic large profitable buyer. The framework would apply to any taxable corporate buyer with ample U.S. taxable income to absorb the limit.

Source: Snap Inc. Form 10-K for fiscal year ended December 31, 2025 — Note 13 (Income Taxes), pp. 110-112 (deferred-tax schedule, NOL carryforward disclosure, rate reconciliation, valuation-allowance discussion); cover page (non-affiliate equity value); pp. 51-52 (§382 risk-factor discussion). Snap Inc. Form 10-Q for quarterly period ended March 31, 2026 — Note 12 (Income Taxes). Hypothetical buyer figures are Institute illustration, not company disclosure.

SNAP — §382 cash-shield math (illustrative)

Line	Lower (\$8.9B market cap)	Mid (+30% premium)	Upper (+50% premium)	Source / Calc
SNAP equity value at hypothetical change date	\$8.86B	\$11.52B	\$13.29B	Market capitalization at the August 21, 2026 close (\$5.24 × 1.69B shares); control premiums applied to that base
§382 long-term tax-exempt rate (published, August 2026)	3.77%			Rev. Rul. 2026-13, Table 3 — rate for ownership changes during August 2026
Annual §382 base limitation	\$334M	\$434M	\$501M	Calc: equity value × long-term tax-exempt rate
IRC §172(a) cap on the same year's use	80% of pre-NOL taxable income			Applies to post-2017 NOL vintages; pre-2018 layers are uncapped but expire
Annual NOL actually usable	the lesser of the two limits			Both constraints apply; neither overrides the other
Pre-NOL taxable income at which the two cross	\$418M	\$543M	\$626M	Calc: §382 limitation / 80%. Above it §382 binds; below it the 80% cap binds
Usable NOL once the owner clears the crossover	\$334M	\$434M	\$501M	§382 is the binding constraint at that point
Effective tax rate applied	21.0%			Federal statutory; state incremental
Annual cash tax shielded	\$70M	\$91M	\$105M	Calc: usable NOL × 21%
Years to exhaust the \$6.5B federal NOL	19.5 yrs	15.0 yrs	13.0 yrs	Calc: \$6.5B / usable NOL
Present value of the cash-tax shield	\$0.59B	\$0.69B	\$0.75B	10% discount rate over the absorption horizon

Note on the three scenarios. All three columns are re-based on where SNAP actually trades. The **lower** column uses market capitalization at the August 21, 2026 close — \$5.24 a share, roughly \$8.86B — which is the cleanest ‘today’ benchmark for a testing event. Earlier drafts of this table anchored the lower column on the \$11.6B non-affiliate float printed on the FY2025 10-K cover page. That is a filed number, but it is measured at June 30, 2025; it now sits about 31% above SNAP's actual market value, and every figure it fed was overstated in the same proportion. The **mid** and

upper columns apply 30% and 50% control premiums to the current base. In a change-of-control deal the loss-corporation equity value at the change date is the deal price including the premium, not the float.

Three disciplines this table enforces. First, the rate is not a guess. The §382 long-term tax-exempt rate is a published number — 3.77% for ownership changes occurring in August 2026 (Rev. Rul. 2026-13, Table 3) — and using a round 5% placeholder instead would inflate every figure in this table by roughly a third. Second, the equity value is measured at the change date, and the change date moves. A falling share price does not just cost shareholders; it shrinks the usable portion of the tax asset dollar for dollar, because the limitation is a fixed percentage of a smaller number. Third — and this is the line most models omit — §382 is not the only annual limit. IRC §172(a)(2) caps the deduction at 80% of taxable income computed before the NOL. Both limits apply in the same year, and the taxpayer gets the worse of them.

THE CAP MOST MODELS MISS

§382 and the 80% cap are two different limits, and the taxpayer gets the worse of them.

§382 caps the loss by reference to what the loss company was worth when it changed hands. §172(a)(2) caps it by reference to what the owner earns afterward. The annual usable NOL is the **lesser** of the §382 limitation and 80% of pre-NOL taxable income. The two cross at taxable income equal to **1.25 times** the §382 limitation.

Which limit binds depends on who ends up holding the loss. A profitable strategic acquirer clears the crossover easily: a buyer with \$2B of pre-NOL taxable income has an 80% cap of \$1.6B, far above SNAP's \$334M–\$501M §382 limitation, so §382 governs and the table above holds. That is the case the table is built for. A standalone SNAP that never changes hands has no §382 limitation at all — but is still capped at 80%. At \$300M of pre-NOL taxable income it could deduct only \$240M, would still report \$60M of taxable income, and would still write a federal cash-tax check of roughly \$12.6M — while carrying \$6.5B of unused losses. **A company with billions in NOLs does not get to a zero cash tax rate. That is what the 80% cap is for.**

One vintage exception. The 80% cap applies only to losses arising in tax years beginning after December 31, 2017. SNAP's pre-IPO layer predates it and is uncapped — but that layer carries the old 20-year expiration. The loss that is easiest to use is the loss most likely to run out of time.

Why \$91M / year matters — the acquirer-economics walk

That \$91M is not a paper number. It is real federal cash tax that an acquirer does *not* send to the Treasury in each year of the absorption horizon. That cash stays in the consolidated entity and is available for deleveraging, reinvestment, or distribution. Three consequences follow.

(a) It lowers the effective acquisition cost. A buyer who pays \$11.5B for SNAP and then collects roughly \$0.7B of present-value cash-tax shield from the preserved NOL has, in economic terms, paid about \$10.8B for the operating business and about \$0.7B for a tax-asset bundle. The deal-IRR

math should treat the shield as a return-on-purchase-price component in its own right.

(b) If the acquisition is debt-financed, the shield reduces capital cost and lifts ROIC. Take a stylized all-debt deal at 7% weighted average cost of debt. Annual interest expense on \$11.5B of acquisition debt is \$805M pre-tax. The \$91M annual cash-tax shield represents roughly 11% of that interest carry — directly offsetting the cost of the capital used to do the deal. On a return-on-invested-capital basis the shield adds roughly 80 basis points of cash ROIC in each year it is in force (calc: \$91M / \$11.5B invested capital). For a financial sponsor, that is one of the largest single line items in the deal model. For a strategic acquirer with ample taxable income to absorb the limitation, it is a free contribution to consolidated free cash flow on top of any operating synergies.

(c) A consolidated-return wrinkle worth knowing. When an acquired loss company joins a consolidated group, its pre-change losses are ordinarily also subject to the separate-return-limitation-year rules, which would confine their use to the loss member's own contribution to consolidated taxable income. In a straight acquisition that restriction usually falls away: under the overlap rule at Treas. Reg. §1.1502-21(g), when the SRLY event and the §382 ownership change occur at the same time, the SRLY limitation does not apply and §382 alone governs. That is why a profitable buyer can apply SNAP's limitation against its own taxable income rather than against SNAP's — and it is the assumption sitting underneath every figure in the table above.

The point is not to suggest such a transaction is in the works. The point is that a practitioner reading SNAP's income-tax footnote should understand the NOL stack would convert from a written-down DTA today into a real cash shield in the hands of a profitable buyer — and that two separate statutory limits, not one, govern how fast that shield can be used. The same framework applies to any large loss corporation carrying a full valuation allowance. **This is illustrative §382 math, not a transaction view; the Institute takes no position on SNAP M&A probability, and the §382 ownership-change trigger is itself a securities-law guardrail on any future equity raise large enough to cross the 50-percentage-point threshold.**

General Motors Company (GM)		Automotive OEM
Gross federal NOL (latest 10-K)	\$385M U.S. operating-loss DTA (\$129M indefinite + \$256M expiring by 2045); \$6.9B U.S. tax-credit carryforwards (\$484M indefinite + \$6.4B expiring by 2045); \$5.5B non-U.S. operating-loss DTA (FY2025 10-K, Note 17 Income Taxes)	
Vintage	Mixed — pre-2018 vintage from 2009 emergence + post-2018 layer; the dominant U.S. attribute is the credit carryforward, not the NOL itself.	
Deferred tax asset as filed (basis stated per company)	\$22.4B net deferred tax asset in total — this is the whole DTA, not an NOL DTA. The federal operating-loss component of it is \$385M; the balance is credits and other deductible temporary differences. A \$6.8B valuation allowance sits against it (primarily Germany, Spain, U.S. state, and Brazil — FY2025 10-K).	
§382 limitation status	Attributes carried into New GM through the July 2009 §363 sale, with preservation supported by Treasury Notices 2008-76 and 2009-38; no subsequent ownership change disclosed.	

GM is the defining post-bankruptcy NOL story in the U.S. public markets — and the mechanism is commonly misdescribed, including in places that should know better. GM did not reorganize and emerge. On June 1, 2009 General Motors Corporation filed Chapter 11; the bankruptcy court approved a sale of substantially all operating assets under §363 on July 5, 2009, and the sale closed on July 10, 2009. The buyer, a new entity that became General Motors Company, is the registrant filing today. The seller, renamed Motors Liquidation Company, wound down separately. **There was no §382(l)(5) election**, because §382(l)(5) applies to a corporation that emerges from a title 11 case — and the surviving public company here was the purchaser, not the debtor. Attribute preservation through that structure rested instead on Treasury guidance issued for the crisis-era Treasury capital programs: **Notice 2008-76**, which disregarded Treasury's acquisition of stock for purposes of the §382 ownership-change test, and **Notice 2009-38**, which extended that treatment to the Automotive Industry Financing Program and to subsequent Treasury dispositions. The practical effect resembled what an (l)(5) election would have produced, which is likely why the shorthand persists — but the authority is different, the §382(l)(5)(D) two-year second-change forfeiture rule never applied, and a reader modeling the position off the wrong provision will look for the wrong disclosures. GM has been drawing down the resulting attribute stack against U.S. taxable income for seventeen years, across sixteen complete filed fiscal years; the residual balance remains material, though as the tables that follow this profile show, it is no longer the same kind of attribute it started as.

Where the U.S. attribute mass actually sits. The FY2025 10-K (Note 17, p. 94) shows the U.S. operating-loss DTA at only \$385M (\$129M indefinite-life, \$256M expiring by 2045). The much larger U.S. attribute is the **tax-credit carryforward stack at \$6.9B** — primarily R&D credits, foreign tax credits, and IRA-related production credits. The federal rate-reconciliation table shows \$478M of R&D credit benefit and \$181M of IRA-credit benefit applied against federal income tax in 2025 alone. Together, the credit stack drove GM's consolidated effective rate down to 10.8% on \$3.12B of pre-tax income — a consolidated tax expense of \$338M against a \$655M statutory amount.

How much has the attribute stack been worth? The FY2025 slice is the smallest part of the answer. The 10-K supplemental schedule discloses U.S. federal income taxes paid of \$277M in fiscal 2025, plus \$314M of U.S. state and \$957M non-U.S., for \$1.55B total — a single year, and a distorted one, because the EV realignment charges pushed U.S. pre-tax income slightly negative. The useful figure is cumulative, and it is the subject of the two tables that follow this profile: across the sixteen complete fiscal years since emergence, GM reported **\$66.0B of U.S. pre-tax income** against **\$708M of current U.S. federal income tax expense** — where the statutory rate would have produced \$16.1B. That is a **\$15.4B difference**, and an effective current federal rate of 1.1% sustained for sixteen years.

Did the 2025 EV charges increase the NOL? Yes. GM recorded approximately \$7.9B of charges in GMNA in fiscal 2025 to strategically realign its EV capacity and manufacturing footprint — including inventory allowances of \$1.7B related to EV product, contractual settlement charges with the supply base, and capacity write-downs. To the extent those charges are currently deductible for tax purposes, they reduce 2025 federal taxable income (and any current-year shortfall against deductions becomes an NOL addition). The 10-K shows the U.S. operating-loss DTA rose modestly to \$385M in 2025 from a comparable level in 2024, consistent with a small incremental NOL addition from the EV realignment — most of the cash impact is being absorbed by the existing credit-carryforward stack rather than generating a headline new NOL. Several portions of the EV writedowns (impairments of long-lived assets) create deferred-tax asset entries that will reverse as the assets are ultimately disposed of.

The pattern beyond GM. The credit-carryforward stack is not GM-specific. Ford Motor Company carries a comparable R&D / foreign-tax-credit / IRA-credit stack disclosed in its FY2025 10-K Note on Income Taxes; Stellantis N.V. discloses the same shape on its non-U.S. side via European deferred-tax credits. The Big-Three OEM cohort is on the same credit-carryforward axis — GM is the worked example in this Brief because of the unusually clean attribute-preservation history through the 2009 \$363 sale.

Why we point this out. The income statement's tax provision shows what the GAAP tax expense looks like. It will continue to look subdued at GM until the credit and NOL stacks are exhausted. The cash flow statement and the supplemental disclosure show what the company is actually sending to the Treasury — and the gap, year after year, is the attribute stack working. We point this out because GM is one of the cleanest examples in U.S. equities of a large, durable, cash-economic tax asset created by a single restructuring event seventeen years ago and continuing to deliver value today — now layered with fresh credits from the IRA and the EV investment cycle. The tax footnote is where the cash shield lives. We always read it.

Source: Seventeen-year tables: General Motors Company Forms 10-K for fiscal years ended December 31, 2011 through December 31, 2025 — income-tax note in each filing (U.S. and non-U.S. split of income before income taxes; current and deferred components of income tax expense; deferred-tax asset and liability schedule; carryforward footnotes). FY2017 10-K for the \$7.3 billion TCJA remeasurement charge; FY2012 10-K for the \$33.2 billion U.S. and \$3.1 billion Canadian valuation-allowance releases; FY2011 10-K for the \$21,199M carryforward table and the Predecessor-period non-taxable reorganization gain of \$45,564M. Public Law 115-97 §13001 (rate change to 21%). Current-year detail: General Motors Company Form 10-K for fiscal year ended December 31, 2025 — Note 17 (Income Taxes), pp. 92-95 (deferred-tax schedule, rate reconciliation, NOL and credit-carryforward footnotes (a) and (b), income taxes paid supplemental schedule); MD&A and Note 12 (Asset Impairments and Other Charges) for the \$7.9B EV strategic-realignment charges; Form 10-Q for the quarterly period ended March 31, 2026 (Note 14 Income Taxes: \$642M Q1 income tax expense); Form 10-Q for the quarterly period ended June 30, 2026 (\$2.3B of incremental EV-related charges in the quarter; \$3.4B net for the six months; \$10.9B cumulative since the second half of 2025, roughly \$7.2B with cash impact, \$4.5B paid through quarter-end). 11

U.S.C. §363 (sale of estate property); In re General Motors Corp., Case No. 09-50026 (Bankr. S.D.N.Y.), sale order entered July 5, 2009, closing July 10, 2009. IRS Notice 2008-76, 2008-39 I.R.B. 768; IRS Notice 2009-38, 2009-18 I.R.B. 901. Public Law 119-21 (One Big Beautiful Bill Act), termination of IRC §§30D and 45W for vehicles acquired after September 30, 2025; IRS Notice 2026-15 (material assistance cost ratio under IRC §§45X, 45Y and 48E).

GM — where the loss carryforward balance actually went

The table further down measures a flow: what GM's attributes were worth in federal tax not accrued, year by year. It says nothing about the stock those attributes were drawn from. The four rows below are that stock — the U.S. federal and state loss carryforward as GM reported it at four balance-sheet dates, each figure measured at the December 31 shown and taken from the operating-loss and tax-credit carryforward table in the 10-K filed the following February.

One label matters more than any of the numbers. These are deferred tax asset amounts, already tax-effected. GM presents the total on a single line inside its deferred tax asset table — 'Operating loss and tax credit carryforwards, 20,220 and 21,199' at December 31, 2012 and December 31, 2011. They are *not* gross pre-tax loss carryforwards. At the 35% federal rate then in force, the \$11,220M standing at December 31, 2011 corresponds to roughly \$32B of pre-tax loss, and somewhat less than that once state rates are included, since the line combines federal and state. Read the \$11,220M as a pre-tax figure and you understate the attribute by about two-thirds; read it as tax already saved and you overstate it, because \$45,191M of valuation allowance stood against the deferred tax asset at that same date.

Measured at	U.S. federal and state loss carryforwards (\$M, deferred tax asset before allowance)	All loss and credit carryforwards (\$M)	Valuation allowance (\$M)	Movement in the loss line
December 31, 2010	\$11,050	\$20,109	\$42,979	Baseline — first full year after emergence
December 31, 2011	\$11,220	\$21,199	\$45,191	+\$170 — the balance ROSE, it did not decline
December 31, 2012	\$6,642	\$20,220	\$10,991	(\$4,578) — and in a book-loss year
December 31, 2025	\$385	\$7,237	\$6,842	(\$6,257) over the thirteen years since

It did not decline during the allowance years. It rose. \$11,050M at December 31, 2010 became \$11,220M at December 31, 2011 — up \$170M, in two years when GM earned \$2,648M and \$2,883M of U.S. pre-tax income. That is the opposite of the intuition that a profitable company burns its carryforwards down, and it is the first thing to correct before reading anything else here. Current U.S. federal expense in those two years was negative in both — (\$10M) and (\$134M). Whatever 2010 and 2011 did, they did not shrink the stock.

Then it fell \$4,578M in 2012 — the one year of the four in which GM reported a U.S. pre-tax loss. A \$19,063M book loss ought to build carryforwards, not consume them. The resolution is in GM's own effective-rate reconciliation for that year, and it is the most useful thing in the footnote: the reconciliation adds back **\$8,705M** of tax effect for goodwill impairment and **\$541M** for the U.S. salaried pension plan settlement. At 35%, the goodwill add-back alone implies roughly \$24.9B of pre-tax charge that never reduced taxable income; GM recorded \$27.1B of goodwill impairment charges in 2012. *A book loss made almost entirely of non-deductible write-offs is not a tax loss.* Strip the permanent items out and the U.S. operation had taxable income to absorb — which is what absorbed the carryforward.

A second force pushed the same way. The same reconciliation carries a (\$1,075M) line for a foreign tax credit election change: GM moved foreign taxes out of the deduction column and into the credit column. Deductions build loss carryforwards; credits do not. In the same twelve months the U.S. foreign tax credit carryforward rose from \$2,226M (measured at December 31, 2011) to \$4,562M (measured at December 31, 2012) while the loss line fell. GM does not publish a line-by-line roll-forward of the loss carryforward balance, so both forces are directional — they explain the sign and the order of magnitude of the \$4,578M, not every dollar of it.

The remaining \$6,257M went the ordinary way, over thirteen years. From the December 2012 allowance release forward, GM sat in the ordinary regime and the carryforwards did what Part One, Section 1.11, says they do: cut the cash tax, leave the total provision near statutory. The \$385M standing at December 31, 2025 is what is left of it. The table that follows measures what that draw-down was worth.

THE BALANCE ROSE BEFORE IT FELL — AND IT FELL IN THE LOSS YEAR

The gold row is the one that breaks the intuition. Everyone expects a carryforward to fall in profitable years and rise in loss years. GM did the reverse in both directions: the balance rose through 2010 and 2011, when GM was profitable in the U.S., and fell in 2012, when GM lost \$19.1B in the U.S.

The lesson generalizes past GM. The carryforward balance tracks *taxable* income, and a book loss and a tax loss are different animals — in 2012 they pointed opposite directions, because roughly \$24.9B of the charges behind that book loss were goodwill the tax code never recognized. Anyone modeling an NOL balance off reported pre-tax income is modeling the wrong series.

Sources and measurement dates. December 31, 2010: GM Form 10-K for fiscal 2010, income tax note carryforward table (\$11,050M loss carryforwards expiring 2011-2030; \$20,109M total; \$42,979M valuation allowance). December 31, 2011: Form 10-K for fiscal 2011 (\$11,220M expiring 2012-2030; \$21,199M total; \$45,191M allowance). December 31, 2012: Form 10-K for fiscal 2012 (\$6,642M expiring 2013-2030; \$20,220M total; \$10,991M allowance), together with the effective-rate reconciliation and valuation-allowance roll-forward in the same note. December 31, 2025: Form 10-K for fiscal 2025 (\$385M; \$7,237M total; \$6,842M allowance). Every figure in this band is a deferred tax asset amount stated before valuation allowance, measured at the fiscal

year-end shown and not restated for anything that happened afterward.

GM — sixteen filed fiscal years of the attribute stack, 2010-2025

New GM took the attributes across in July 2009. The sixteen complete fiscal years since — 2010 through 2025, every one of them a filed 10-K — are set out below. The question the table answers is the one a reader of the FY2025 footnote is entitled to ask: if the U.S. operating-loss DTA is down to \$385M, where did the rest of it go, and what was it worth on the way out?

Read the column headings carefully. Column five is **current U.S. federal income tax expense** — an accrual, federal only, taken from the current/deferred split in each year's income-tax note. It is not cash taxes paid; GM's consolidated cash-tax line is a larger, different series that includes state and non-U.S. payments. Column six is labeled **difference**, not 'NOL shield,' because the gap is produced by the whole attribute stack — loss carryforwards, credit carryforwards, valuation-allowance movement, and permanent differences — not by the NOLs alone. Overstating what a single line proves is how footnote analysis loses its credibility.

Having said what column six is not, here is what it is. It is the plain answer to the plain question: how much U.S. federal income tax GM did not accrue that year because of its carryforwards. Read down it. The annual figure runs from \$612M in 2014 to \$3,256M in 2016, and averages roughly **\$1.6B a year** across the fourteen years in which GM earned U.S. pre-tax income. That is the number to carry away from this table.

Fiscal year	U.S. income before income taxes (\$M)	U.S. federal statutory rate	Tax at the statutory rate (\$M)	Current U.S. federal income tax expense (\$M)	Difference — federal tax not accrued (\$M)
2010	\$2,648	35%	\$927	(\$10)	\$937
2011	\$2,883	35%	\$1,009	(\$134)	\$1,143
2012	(\$19,063)	35%	(\$6,672)	\$6	(\$6,678)
2013	\$4,880	35%	\$1,708	(\$34)	\$1,742
2014	\$1,683	35%	\$589	(\$23)	\$612
2015	\$5,594	35%	\$1,958	\$5	\$1,953
2016	\$8,943	35%	\$3,130	(\$126)	\$3,256
2017	\$8,399	35%	\$2,940	\$18	\$2,922
2018	\$4,433	21%	\$931	(\$104)	\$1,035
2019	\$3,826	21%	\$803	\$42	\$761
2020	\$6,881	21%	\$1,445	\$84	\$1,361
2021	\$9,513	21%	\$1,998	\$20	\$1,978

Fiscal year	U.S. income before income taxes (\$M)	U.S. federal statutory rate	Tax at the statutory rate (\$M)	Current U.S. federal income tax expense (\$M)	Difference — federal tax not accrued (\$M)
2022	\$9,454	21%	\$1,985	\$389	\$1,596
2023	\$6,284	21%	\$1,320	\$240	\$1,080
2024	\$9,715	21%	\$2,040	\$202	\$1,838
2025	(\$42)	21%	(\$9)	\$133	(\$142)
Sixteen-year total	\$66,031	—	\$16,102	\$708	\$15,394
Profitable years only (excludes 2012, 2025)	\$85,136	—	\$22,783	\$569	\$22,214

Sources and measurement dates. U.S. income before income taxes and the current U.S. federal component of income tax expense are taken from the income-tax note of GM's Forms 10-K for fiscal years 2011 through 2025, each figure measured at the December 31 fiscal year-end of the year shown and reported in the 10-K filed the following February. Where a year appears as a comparative in a later filing, the later filing governs. The statutory rate is 35% for tax years beginning before January 1, 2018 and 21% thereafter (Public Law 115-97, §13001). The 2009 emergence year is excluded from the table: it splits into a Predecessor period (January 1 to July 9, 2009) and a Successor period (July 10 to December 31, 2009) whose \$105.4B Predecessor pre-tax figure is dominated by reorganization gain and is not comparable to any operating year on either side of it.

WHAT SEVENTEEN YEARS OF PRESERVED ATTRIBUTES WERE WORTH

\$15.4 billion. That is the sixteen-year gap between what GM would have accrued in current U.S. federal income tax at the statutory rate and what it actually accrued — \$16.1B against \$708M, on \$66.0B of cumulative U.S. pre-tax income.

An effective current federal rate of 1.1% over sixteen years. Not for one year, not through one unusual quarter. Sixteen consecutive filed 10-Ks.

And that is the conservative version of the number. The \$15.4B total nets in two U.S. loss years — 2012 (\$19.1B, dominated by the European goodwill and Opel charges) and 2025 (\$42M, the EV realignment) — which carry negative statutory amounts and therefore reduce the cumulative. A loss year cannot be shielded; there is nothing to shield. Counting only the fourteen years in which GM actually earned U.S. pre-tax income, the comparison is **\$22,783M at the statutory rate against \$569M of current federal expense — a difference of \$22.2 billion.** Both figures are in the table. We lead with the smaller one because it is the one that survives the most hostile reading.

Why the first three rows behave differently from the other thirteen

Part One, Section 1.11, sets out the rule: once a company carries its net-operating-loss deferred tax asset at full value, using the NOL cuts the cash tax but leaves the total provision alone, because the lower current expense is offset by a deferred expense as the asset comes off the balance sheet. A reader who applies that rule to this table from the top will find that it does not hold at the top, and the reason is worth knowing.

GM did not carry the asset at full value when it emerged. The company had written its U.S. deferred tax assets down to nearly nothing with a valuation allowance in 2007, well before the bankruptcy. New GM took the attributes across in the July 2009 §363 sale with that allowance still standing. So through 2010, 2011 and 2012 there was no asset on the balance sheet to draw down. In those years the NOL cut the cash tax and the reported provision together, because each dollar of deferred expense from the drawdown was matched by a dollar of benefit from releasing the allowance that stood against it — the right-hand column of the two-regime table in Part One, Section 1.11.

The switch flipped in the fourth quarter of 2012. Having completed business plans that forecast sustained profitability, GM concluded that realization had become more likely than not and released the majority of the allowance against its U.S. and Canadian deferred tax assets. The release produced a non-cash income tax benefit of **\$34.9B** — \$33.2B in the United States and \$3.1B in Canada — recognized in the year ended December 31, 2012. Allowances of \$2.3B were retained against U.S. and Canadian capital-loss and state carryforward attributes, and \$8.7B against non-U.S. attributes, principally GM Europe and Korea. From fiscal 2013 onward GM sits squarely in the ordinary regime, and the rule in Part One, Section 1.11, holds without qualification: the carryforwards move the cash tax line and leave the total provision near the statutory rate.

What this means for reading the table. The difference column measures the same thing in every row — federal tax not accrued — because it is built from the *current* federal component, and the current component is indifferent to where the valuation allowance stands. That is precisely why the table is built on the current line rather than on the total provision. GM's total provision over these years is unreadable as a shield measure: it swings by tens of billions on allowance movement in 2012 and on rate remeasurement in 2017, neither of which involves a dollar of tax. The current federal line ignores both and tracks what the return actually said.

What the difference column is, and what it is not. It is the distance between a statutory-rate model and the filed current federal accrual. That distance is real — a naive 35%-then-21% model of GM's U.S. federal tax line would have been wrong by \$15.4B cumulatively — but attributing all of it to net operating losses would be sloppy. Four forces are working at once. The loss carryforwards preserved through the 2009 reorganization absorbed U.S. taxable income directly. The credit carryforwards — research credits, foreign tax credits, and from 2023 the IRA production credits — cut tax dollar for dollar after taxable income is computed. Valuation-allowance movement swings the *total* provision violently in individual years (2012 above all) without touching the current federal line. And permanent differences, FDII, and the GILTI regime each move the rate for reasons that have nothing to do with carryforwards. The honest claim is the one the column heading makes: this is the

difference. The next table shows which part of the attribute stack was doing the work.

GM — the composition shift: losses out, credits in

The natural reading of the FY2025 footnote is that GM must have burned through the bankruptcy NOLs to be left with a \$385M operating-loss DTA. That is right about the losses and incomplete about the stack. The loss carryforwards were very nearly consumed. The credits were not — they grew. The U.S. attribute position is larger in dollar terms today than the credit half of it was in 2011, and it is now almost entirely credits.

U.S. carryforward attribute (\$M)	FY2011 10-K	FY2025 10-K	Change
U.S. federal and state operating-loss carryforwards, gross deferred tax asset	\$11,220	\$385	(96.6%)
U.S. tax-credit carryforwards (2011: \$669M AMT + \$1,908M general business + \$2,226M foreign tax credit)	\$4,803	\$6,900	+43.7%
Combined U.S. carryforward position	\$16,023	\$7,285	(54.5%)
Loss carryforwards as a share of the U.S. stack	70%	5%	—
Memo: non-U.S. operating-loss carryforwards	\$5,176	\$5,500	+6.3%

Sources. FY2011 figures are the carryforward table in GM's Form 10-K for the year ended December 31, 2011 (measured at December 31, 2011), which totals \$21,199M across all jurisdictions. FY2025 figures are footnotes (a) and (b) to the deferred-tax schedule in the Form 10-K for the year ended December 31, 2025 (measured at December 31, 2025): "U.S. operating loss deferred tax assets were \$385 million" and "U.S. tax credit carryforwards were \$6.9 billion." The combined FY2025 line on the face of the deferred-tax schedule is \$7,237M; the \$48M against the sum of the two footnoted figures is footnote rounding, not a reconciling item.

LOSSES CUT INCOME. CREDITS CUT TAX. NOT THE SAME THING.

Read the two rows against each other. The loss carryforwards fell 96.6% — from \$11.2B of deferred tax asset to \$385M. Over the same period the credit carryforwards rose 43.7%, from \$4.8B to \$6.9B. The losses were used up. The credits replaced them and then some.

Why this is not a distinction without a difference. An NOL reduces *taxable income*, so a dollar of NOL is worth 21 cents of tax at the current rate. A credit reduces *tax*, so a dollar of credit is worth a dollar. GM's remaining \$6.9B credit stack is worth roughly what **\$32.9B of NOL** would be worth at 21%. Measured on a like-for-like basis — tax dollars against tax dollars — the \$6.9B credit stack is **17.9 times** the \$385M operating-loss DTA. A reader who glances at the \$385M line and concludes GM's tax shelter is finished has misread the footnote by more than an order of magnitude.

The rate-cut asymmetry is the tell. Credits are denominated in tax dollars and are indifferent to the statutory rate. NOL deferred tax assets are the rate times the loss, so they shrink when the rate falls. That asymmetry is visible in the 2017 numbers below, and it is the single cleanest piece of evidence that GM's stack was already credit-dominated by then.

Separating usage from the 2017 rate remeasurement

Any multi-year read of a deferred tax asset has to handle 2017 explicitly, because a large part of what happened to every corporate DTA that year was arithmetic rather than activity. The TCJA cut the federal rate from 35% to 21% effective for tax years beginning after December 31, 2017, and ASC 740 requires deferred balances to be remeasured at the enacted rate in the period of enactment. A company that used no attributes at all in 2017 still watched roughly 40% of its rate-sensitive DTA disappear. Treating that as consumption would badly overstate how fast GM was burning through the stack.

2016 to 2017 — what actually moved	\$M
Gross deferred tax assets before valuation allowance, December 31, 2016	\$37,585
Gross deferred tax assets before valuation allowance, December 31, 2017	\$30,699
Decline across the year	(\$6,886)
Of which: TCJA remeasurement to 21%, as disclosed by GM	(\$7,300)
Residual attributable to everything else	\$414
Memo: U.S. operating-loss and tax-credit carryforward DTA, December 31, 2016	\$8,987
Memo: same line, December 31, 2017	\$8,578
Memo: decline in the U.S. carryforward line	(\$409)

The whole \$6.9B decline is the rate cut. GM's FY2017 10-K states the charge in terms: the company recorded "\$7.3 billion in tax expense which relates almost entirely to the remeasurement

of deferred tax assets to the 21% tax rate.” Against a gross DTA decline of \$6,886M, that leaves a residual of roughly \$414M running the other way — new attributes added during the year, partially offsetting the remeasurement. Nothing in the 2016-to-2017 movement supports a story about GM consuming its carryforwards that year.

And the memo lines prove the stack was already credit-heavy. If the U.S. carryforward position had been mostly loss carryforwards, a 40% rate cut would have taken roughly 40% of that line with it — call it \$3.6B off an \$8,987M base. The line fell \$409M, about 4.6%. It barely moved, because most of what sits in it is credits, and credits are denominated in tax dollars rather than in rate-times-loss. This is the same point the composition table makes, arrived at independently and from a different disclosure. The 2017 rate cut is, in effect, a natural experiment that sorts GM's attribute stack for us.

SIDEBAR — BOOK IMPAIRMENT VS TAX DEDUCTION (GM AS THE EXAMPLE)

GM recognized **\$7.9B** in EV strategic-realignment charges in FY 2025. A reader might assume that grew the NOL by \$7.9B. It did not.

Why. Book impairment under ASC 360 is a non-cash write-down of carrying value. For tax purposes, the asset's basis generally does NOT adjust on impairment alone. Basis only changes on *disposition* — sale, abandonment, casualty loss, or worthless-asset retirement.

The math confirms it. If \$7.9B had translated dollar-for-dollar into a tax loss, you'd expect a U.S. operating-loss DTA of roughly $\$7.9B \times 21\% = \mathbf{\$1.66B}$ at federal alone. GM actually reports U.S. operating-loss DTA of only **\$385M** (gross U.S. federal NOL of roughly \$1.83B). Most of the EV charge stayed book-only.

What DID get tax-deducted is the subset GM actually disposed of, abandoned, or scrapped — specific EV tooling retirements, worthless inventory write-offs, contract terminations. That subset is meaningful but small relative to the headline charge.

The 2026 continuation reinforces the point. GM did not stop after FY2025. It recorded a further \$3.4B of net EV-related charges in the first half of 2026 — \$2.3B of it in the second quarter alone, spanning supplier cash charges, battery supply-chain charges, and additional non-cash impairments — bringing the cumulative total to **\$10.9B** since the second half of 2025, of which roughly \$7.2B carries a cash impact and \$4.5B had actually been paid by the end of the second quarter. Note what the cash/non-cash split does to the tax analysis: the cash portion is the part most likely to be currently deductible, and it is the minority of the headline. Two policy changes compound the effect. The One Big Beautiful Bill Act terminated the §30D clean vehicle credit and the §45W commercial clean vehicle credit for vehicles acquired after September 30, 2025, removing a demand-side support GM had underwritten capacity against; and Notice 2026-15 (February 12, 2026) set the material-assistance cost-ratio methodology that determines whether §45X advanced-manufacturing components remain credit-eligible given foreign-entity-of-concern sourcing, which is a live constraint on the battery credit stack that has been doing much of GM's cash-tax shielding.

Practitioner takeaway. A large book write-down often does NOT predict a comparable tax-NOL increase. Tax deductions follow disposition events, not impairment. The footnote and the §382 limitation analysis matter more than the press release — and a credit stack is only as durable as the statute that creates it.

Section 3 — The VC-Funded NOL Pattern

The Institute's framing: VC-funded companies come to the public markets with a built-in advantage — years of preserved tax losses. The pattern is consistent enough to teach as a unit. Lyft and SNAP are the two working examples in this Brief.

The mechanics

Venture-funded companies typically run GAAP losses for five to ten years pre-IPO while building scale. Each year's loss is a federal NOL that survives the IPO and, for post-2018 vintages, never expires. By the time the company files its S-1, the cumulative loss stack is often a multi-billion-dollar deferred tax asset — carried at gross on the balance sheet, written down to zero by a full valuation allowance, and often modeled lightly in consensus.

Four mechanics combine to produce the pattern:

1. Pre-IPO losses are preserved at IPO if §382 doesn't trigger.

The IPO itself can be an ownership change, but most well-structured VC IPOs are sized and tranching to avoid the 50-percentage-point threshold on a rolling three-year basis. Where a trigger does occur, §382 caps annual use rather than eliminating the NOLs — and for indefinite-life post-2018 NOLs there is no expiration race against the limitation.

2. Post-2018 NOLs don't expire.

The TCJA indefinite-carryforward rule means the entire post-2017 vintage of the stack will be available whenever the company turns profitable. A company that IPOs in 2021 and achieves first profitability in 2028 still has 100% of its 2018-2028 NOLs intact, subject only to the 80% annual cap (a timing constraint, not a haircut).

3. The headline rate is a poor proxy for cash tax in NOL years — and so is zero.

Modeling year-five cash taxes at the 21% federal rate ignores the NOL shield. Modeling them at zero ignores the 80% cap. Both are wrong, in opposite directions. If a company has \$5B of preserved NOLs and earns \$500M of pre-tax income in year five, the carryforward can absorb 80% of that income — \$400M — leaving \$100M subject to tax. Cash federal tax is **\$21M**: not the \$105M a naive 21% model produces, and not the zero an NOL-covers-everything model produces. The shield is worth \$84M in that year, and a residual 4.2% effective cash rate persists for as long as the carryforward lasts. A company with billions in NOLs does not get to a zero cash tax rate; that is what the 80% cap of §1.2 is for. State taxes, CAMT, and foreign taxes sit on top of that residual.

4. The NOL shield is most valuable in the highest-leverage years.

Early profitability is the period in which free-cash-flow growth has the largest multiplier effect on equity value — DCF terminal-value weight, market-narrative inflection, and deleveraging dynamics all peak in years one through five of profitability. Removing federal cash taxes from those years directly accelerates each of these effects.

Where the pattern shows up in this Brief

Lyft and SNAP are profiled in full in Section 2; the balances, the §382 status, and the filing citations are there and are not restated here. What matters for the pattern is that the two companies sit at **opposite ends of the same arc**, which is what makes them useful as a pair rather than as two examples of the same thing.

Lyft is the pattern completed. Pre-IPO losses preserved through a 2019 IPO that did not trigger §382, carried at gross under a full valuation allowance for six years, then released in Q4 2025 when management concluded sustained U.S. profitability had been reached. Every step of the four mechanics above is visible in a single filed sequence, and the last step — the ASC 740 reversal — is the one most models never see coming, because it arrives as a non-cash benefit that dwarfs operating results in the year it lands.

SNAP is the pattern still loaded. Same origin, same preservation, no reversal yet: the full valuation allowance is still standing, so none of the deferred tax asset sits at net on the balance sheet. The difference between the two is not the tax position but the profitability trigger, and that is the point of reading them together. SNAP also carries the complication Lyft does not — a pre-2017 vintage layer under the old 20-year regime, which can expire before a §382 annual limit has run long enough to absorb it. Vintage matters as much as size.

Current-period cash tax shielded by the NOL — estimate

A point on present-day mechanics. Even for issuers carrying full valuation allowances or just emerging from one, the NOL is doing real work right now. The book numbers can understate this. For Lyft, GAAP pre-tax income is suppressed by the growing insurance reserve — but the tax deduction for insurance losses generally follows cash payment under §461 economic-performance rules, not the accrual. So taxable income runs materially higher than the book line suggests, and the NOL deduction is the binding constraint on cash tax. The same logic applies to SNAP: SBC, §174 R&E capitalization, and other permanent-and-temporary differences keep taxable income running above the book loss in any given period.

Line	Lyft (FY2025)	SNAP (FY2025)
Reported pre-tax book income (loss)	\$(54)M	\$(451)M
Add back: insurance / loss accrual not yet paid (book > tax)	\$479M	n/a
Other book-tax differences (SBC, §174, accruals) — Institute estimate (see footnote)	\$500M	\$600M
Approx. taxable income before NOL deduction	\$925M	\$150M
NOL usage allowed (post-2018 layer at 80% cap)	\$740M	\$120M
Residual taxable income after NOL	\$185M	\$30M
Federal cash tax actually owed (21%)	\$39M	\$6M

Federal cash tax saved by NOL deduction	\$155M	\$25M
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Methodology and caveats. The figures above are Institute estimates built off each issuer's book pre-tax line plus the primary book-tax differences disclosed in the 10-K cash flow statement and tax footnote. They are not company disclosures. Lyft's insurance accrual delta of \$479M is taken directly from the FY2025 cash flow statement (Changes in operating assets and liabilities — Insurance reserves). The roughly \$500M Lyft and \$600M SNAP 'other book-tax differences' lines are Institute estimates aggregating three components visible in each issuer's recent disclosure: (i) stock-based compensation book expense in excess of the tax deduction (Lyft FY2025 cash-flow add-back \$330M; SNAP \$1.1B); (ii) §174 R&E capitalization add-backs in the deferred-tax schedule (Lyft Note 13 capitalized R&E DTA delta of low-hundreds-of-millions; SNAP comparable line in Note 13); and (iii) residual accrual / reserve timing items. The estimates are scaled to be conservative relative to the disclosed components; a reader replicating the bridge from each filing's rate reconciliation and DTA schedule should land within roughly 20% of the figures shown. State NOLs, foreign jurisdictions, and AMT-style minimum-tax features are not separately modeled. The takeaway is the order of magnitude: Lyft is currently shielding roughly \$155M of federal cash tax per year via the NOL even though the book P&L is near break-even; SNAP is shielding \$25M. Multi-year, those numbers compound.

THE PATTERN

Where the pattern shows up next. The shape repeats across VC-funded IPOs of the 2018-2024 cohort — Lyft, SNAP, Pinterest, Uber, DoorDash, Airbnb, Rivian, Lucid, Toast, Robinhood, Coinbase, and the post-SPAC EV cohort. Large pre-IPO loss accumulation; multi-year post-IPO path to GAAP profitability; a tax footnote disclosing substantial gross federal NOL under a full valuation allowance until profitability is sustained. The single most useful practitioner step in any of these names is to read the §382 disclosure to confirm preservation, model cash federal taxes at zero through the NOL exhaustion year, and capture the valuation-allowance reversal benefit in the year sustained profitability is reached.

Section 4 — Practitioner Takeaways

Five things to do

1. Read the income-tax footnote first, not last.

Open the 10-K to Note on Income Taxes before the MD&A. The footnote tells you the company's actual cash-tax posture, the size and vintage of its NOL stack, the valuation-allowance position, and any §382 limitations — all of which drive cash flow more directly than the headline effective tax rate.

2. Distinguish book from tax, then pre-2018 from post-2018 NOLs.

The GAAP loss on the income statement is not the NOL. Compute the major book-tax differences explicitly — the tables in Sections 1.8 and 1.9 of Part One are the working list, temporary and permanent. Then split the NOL stack: pre-2018 NOLs expire (20 years) but escape the 80% cap; post-2018 NOLs never expire but are capped at 80% of taxable income annually. The footnote almost always discloses the split.

3. Confirm §382 status before crediting the full stack.

Any reorganization, change of control, large secondary, or concentrated cap-table change in the prior three years is a §382 testing event. Annual base limitation = equity FMV × long-term tax-exempt rate. If the company hasn't disclosed an ownership change, look for the negative confirmation.

4. Model state NOLs separately.

Federal does not equal state. California suspends NOL use periodically; New York has the PNOLC; Illinois caps annual deductions at \$100K; Texas has no concept at all. A multi-state filer's state DTA is typically 30–60% of its federal DTA before valuation allowance.

5. Watch for the valuation-allowance reversal.

When a loss company returns to sustained profitability, ASC 740 forces a re-evaluation of the valuation allowance. Reversal produces a large, one-time GAAP tax benefit that distorts year-over-year EPS comparability but signals real underlying improvement. Lyft's 2025 release of approximately \$2.4B is the freshest live example.

Four questions to ask of any company's tax footnote

1. What is the gross federal NOL balance, and how is it split between pre-2018 (20-year) and post-2018 (indefinite) vintages?
2. Is there a valuation allowance against the NOL DTA, and what events would trigger its reversal?
3. Has a §382 ownership change occurred in the last three years, and if so, what is the annual base limitation?
4. What is the company's most recent disclosure of cash income taxes paid — and does it reconcile to the GAAP tax rate the way the NOL position would predict?

Cross-reference inside the Institute library

This Brief is the entry point. For deeper application:

Lyft Case Study — baratelliinstitute.com/cases/lyft — the worked NOL-shield model, §382 sensitivity, valuation-allowance reversal path, and per-share contribution.

Cleveland-Cliffs Case Study — baratelliinstitute.com/cases/clf — deeper treatment of the steel-industry NOL stack, MACRS-vs-GAAP depreciation differential, and through-cycle tax-asset realization.

SpaceX Case Study — baratelliinstitute.com/cases/spacex — the SpaceX NOL position is materially larger than any of the four companies in this Brief; the case study walks the pre-IPO attribute preservation framework and the IPO §382 sensitivity.

CFO & Controllers Guide — tax-footnote chapter covers ASC 740 mechanics, valuation-allowance analysis, and the cash-tax-vs-effective-rate reconciliation.

Private Equity & M&A Guide — §382 mechanics, NOL preservation in M&A structuring, and the diligence checklist for target NOL stacks.

Family Office Practice Library — how to read tax attributes when underwriting direct equity, GP positions, and post-bankruptcy reorganization equity.

A standalone Field Note on SNAP is in development as a separate library entry. General Motors is treated at length in Section 2 of this Brief and does not need one.

Section 5 — Disclosure

Educational purpose

This Brief is an educational case study published by the Baratelli Institute for the use of practitioners, principals, family offices, CPAs, attorneys, and investors. It is not a recommendation to buy, sell, or hold any security. It is not individualized investment advice. It is not personalized tax advice. It does not establish an attorney-client, accountant-client, or advisor-client relationship. Reading this Brief creates no fiduciary duty between the Baratelli Institute, the author, and the reader.

Information sources

All company-specific data points reference each issuer's publicly filed Form 10-K, Form 10-Q, Form S-1, plan-of-reorganization disclosures, or other SEC filings as cited inline. Lyft figures are from the FY2025 10-K (Note 8 Insurance Reserves, Note 13 Income Taxes, Consolidated Statements of Cash Flows). Cleveland-Cliffs figures are from the FY2025 10-K Income Taxes note. Snap figures are from the FY2025 10-K (Note 13 Income Taxes, pp. 110-112) and the 10-Q for the period ended March 31, 2026 (Note 12 Income Taxes). General Motors figures are from the FY2025 10-K (Note 17 Income Taxes, pp. 92-95, and the MD&A) and the 10-Q for the period ended March 31, 2026 (Note 14 Income Taxes); the sixteen-year tables in Section 2 draw on the income-tax note of every General Motors Form 10-K from fiscal 2010 through fiscal 2025. Tax-code references are to the Internal Revenue Code as in effect on the publication date of this Brief. The journal-entry illustrations in Part One are general educational examples of standard accounting under ASC 740. The SNAP §382 hypothetical in Section 2, and the Lyft/SNAP current-period cash-tax-saved table in Section 3, are explicitly Institute estimates and educational illustrations, not company disclosures. The corporate alternative minimum tax discussion in Part One, Section 1.14, reflects the statute and interim guidance in effect at the publication date; final regulations had not been issued.

Positions held by the author

The author owns the stock in two of the securities discussed in this Brief: **LYFT** (Lyft, Inc.) and **CLF** (Cleveland-Cliffs Inc.). The Institute publishes free educational case studies on both Lyft and Cleveland-Cliffs. The author has not received compensation from any issuer named in this Brief and has no material non-public information regarding any issuer named in this Brief. The author observes a 30-day trading blackout window before and after publication of any Brief that names a specific security in which the author holds a position. The Institute's full conflicts policy is published at baratelliinstitute.com. This Brief uses public SEC filings for all four companies discussed.

Summary disclosure line

The author owns the stock. Educational case. Not investment advice. Sources: SEC filings cited inline.

No tax or legal advice

Federal and state tax treatment of NOLs depends on facts and circumstances specific to each taxpayer. The framework in this Brief is general and educational. Practitioners and principals should consult their own qualified tax counsel and certified public accountants before acting on any matter discussed here. Application of §382, ASC 740 valuation allowances, state non-conformity, the TCJA 80% cap, the §38(c) and §904 credit limitations, and the corporate alternative minimum tax in any specific transaction requires a current technical analysis on the specific facts.

Forward-looking statements

Statements in this Brief regarding the future use of NOL carryforwards, the likelihood of valuation-allowance reversal, and the impact on cash taxes and free cash flow are inherently forward-looking. Actual outcomes depend on each issuer's subsequent operating results, regulatory developments, subsequent ownership changes, and accounting judgments. The SNAP §382 hypothetical in Section 2 is an educational illustration of the cap math — it is not a

forecast that any acquisition of SNAP is in progress or contemplated.

Summary: educational use only; not investment, tax, or legal advice; the author owns the stock in LYFT and CLF, as disclosed above; full disclosure above.

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