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Instructions for Form 8990

Limitation on Business Interest Expense Under Section 163(j)

Volume 2 of 2



Department of the Treasury
Internal Revenue Service

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specified tax year may not exceed the aggregate section 163(j) limitation for all specified periods of the CFC group, determined by reference only to the CFC group member's items of income, gain, deduction, and loss, and reduced (including below zero) by the CFC group member's business interest expense (including disallowed business interest expense carryforwards) taken into account as a deduction by the CFC group member in all specified tax years in which the CFC group member has continuously been a CFC group member of the CFC group (cumulative section 163(j) pre-group carryforward limitation). See Regulations section 1.163(j)-7(c)(3)(iv).

U.S. shareholder of an applicable CFC. A U.S. shareholder of an applicable CFC, in order to arrive at ATI, must reduce its tentative taxable income, by, among other items, an amount equal to the sum of any specified deemed inclusions that were

included in the computation of the taxpayer's tentative taxable income, reduced by the portion of the deduction allowed under section 250(a) by reason of the specified deemed inclusions. See Regulations section 1.163(j)-1(b)(1)(ii)(G).

A specified deemed inclusion means the inclusion of an amount by a U.S. shareholder (as defined in section 951(b)) in gross income under sections 78, 951(a), or 951A(a) with respect to an applicable CFC that is properly allocable to a non-excepted trade or business. A specified deemed inclusion also includes any amount included in a domestic partnership's gross income under sections 951(a) or 951A(a) with respect to an applicable CFC to the extent such amounts are attributable to investment income of the partnership and are allocated to a domestic C corporation that is a direct (or indirect) partner and treated as properly allocable to a

non-excepted trade or business of the domestic C corporation.

Section 1.163(j)-7(j) of the 2020 Proposed Regulations does, however, allow a U.S. shareholder to add to its tentative taxable income a portion of its specified deemed inclusions that are attributable to either a stand-alone applicable CFC or a CFC group member, except to the extent attributable to an inclusion under section 78 with respect to an applicable CFC, provided the applicable requirements are met. That portion is equal to the ratio of the applicable CFC's CFC excess taxable income over its ATI.

Change in ATI computation. After 2021, ATI is computed with deductions for depreciation, amortization, depletion, and any other deduction prescribed in published guidance. Do not add back the deductions for depreciation, amortization, or depletion attributable to a trade or business after 2021.

Change from being subject to section 163(j) to being exempt from section 163(j) under the small business exemption.

A taxpayer that has disallowed business interest expense from a prior year and meets the small business exemption in the current year is no longer required to limit their business interest expense for section 163(j) purposes.

Similarly, a partner with excess business interest expense from a partnership is not required to limit such excess business interest expense under section 163(j) if the partnership meets the small business exemption in the current year and the partner also meets the small business exemption in the current year.

Change from non-excepted trade or business to excepted trade or business.

If a taxpayer has disallowed business interest expense from a prior year, or excess business interest expense from a partnership, for

which an election to be an excepted trade or business is made in the current year, then the disallowed business interest expense carried forward, or excess business interest expense, is still subject to the section 163(j) limitation.

Specific Instructions

If Form 8990 relates to an information return for a foreign entity (for example, Form 5471), provide the foreign entity name and appropriate identification number on line A.

If the foreign entity is a CFC group member or if this Form 8990 is being filed by or on behalf of the specified group parent to report the combined limitation of the CFC group, check the "Yes" box and see CFC group election, earlier, for additional requirements when making a CFC group election. One of those additional requirements is that a separate Form 8990 must be completed in order to report the combined limitation of the CFC group.

If a safe-harbor election is being made, check the "Yes" box and see Safe-harbor election, earlier, and Worksheet C, Stand-Alone Applicable CFC/CFC Group

Safe Harbor Election, later, for additional requirements when making a safe-harbor election and special instructions for completing Part I. If a safe-harbor election is made, Schedules A and B should not be completed.

Part I—Computation of Allowable Business Interest Expense

Complete Part I to determine your allowable business interest expense deduction.

If you are a taxpayer that owns an interest in a partnership subject to the section 163(j) limitation, see the instructions for Schedule A before completing Part I.

If you are a taxpayer that is a shareholder in an S corporation subject to the section 163(j) limitation, see the instructions for Schedule B before completing Part I.

If you are a regulated investment company that paid section 163(j) interest dividends and that has no business interest expense for the tax year, complete only Sections I and III.

Prepare the form in U.S. dollars.

Section I—Business Interest Expense (Lines 1 Through 5)

Line 1. Current year business interest expense. Enter the business interest expense (not including floor plan financing interest expense or disallowed business interest expense carryforwards from prior years) that would have been deductible in the current year without the application of section 163(j).

Interest expense from an excepted trade or business should not be included.

See Ownership of pass-through entities not subject to the section 163(j) limitation, earlier.

Do not include interest expense allocated by a trading partnership to a partner that does not materially participate. See Trading partnerships, earlier.

For C corporations with an interest in a partnership, any investment interest expense allocated to the C corporation is treated as business interest expense of the C corporation from a non-excepted trade or business.

Line 2. Disallowed business interest expense carryforwards from prior years.

Enter the prior year disallowed business interest expense carryover. See Form 8990, line 31, for prior year amount.

For consolidated groups with members joining or leaving the group, see Regulations section 1.163(j)-5, as limitations may apply.



Line 2 does not apply to partnerships.

If Form 8990 is being completed for an applicable CFC with a functional currency other than the U.S. dollar, and the amount reported on line 2 is different from the amount reported on line 31 of the prior year Form 8990 due to the use of different translation rates for translating from functional currency to U.S. dollars in different years, attach a statement providing the amount of the disallowed business interest expense carryover in functional currency and the translation rate used in the current year and the prior year. In the case of a CFC group member, a single statement may be attached to the CFC group's Form 8990 for all CFC

group members in lieu of separate statements for each CFC group member.

Line 4. Floor plan financing interest expense. Enter the current year floor plan financing interest expense.

Section II—Adjusted Taxable Income (Lines 6 Through 22)

Enter all numbers as positive amounts unless otherwise indicated.

Tentative Taxable Income

Line 6. Tentative taxable income. Enter tentative taxable income computed as though all of the business interest expense is otherwise allowable business interest expense. In figuring tentative taxable income, consider all other applicable limitations such as sections 163(f), 267, basis (sections 704 and 1366), at-risk (section 465) and passive activity loss (section 469), and excess business loss (section 461(l)) limitations prior

to inputting the tentative taxable income amount.

The tentative taxable income of a partnership or S corporation shall include both separately and non-separately stated items. For a partnership, this will generally be the amount on Form 1065, Analysis of Net Income (Loss), line 1, Net income

(loss), less guaranteed payments, Schedule K, line 4c. If adjustments to a partnership's income or deductions resulting from section 743(b) basis adjustments are taken into account in calculating a partnership's net income (loss), remove the effects of those adjustments by adding or subtracting the income, gain, loss, or deduction resulting from the section 743(b) basis adjustments. For an S corporation, this will generally be the amount on Form 1120-S, Schedule K, line 18, Income/loss reconciliation.

To compute a partnership's and partner's ATI, the partnership (not the partner) takes into account items resulting from adjustments to property under section 734(b). See Regulations section 1.163(j)-6(d)(2). However, to compute ATI or items resulting from adjustments to property under section 743(b), the partner (not the partnership) takes into account such items.

These adjustments are entered on line 13 (or line 20) of Form 8990.

Additions (Lines 7 Through 16)

Add back to tentative taxable income certain adjustments to arrive at ATI. Do not include amounts that were not taken into account in tentative taxable income on line 6. See Adjusted taxable income (ATI), earlier.

Line 7. Any item of loss or deduction which is not properly allocable to a trade or business of the taxpayer. Enter any item of loss or deduction that is not properly allocable to a trade or business of the taxpayer, including the taxpayer's loss or deduction from any excepted trades or businesses. The amount of the addition is limited to the amount the additional item affected tentative taxable income.

For example, a personal casualty loss is not allocable to a trade or business of a taxpayer, which would be entered on line 7 as a positive amount to the extent the casualty loss offset tentative taxable income.

Do not include amounts from pass-through entities, which are entered on line 12.

Line 8. Any business interest expense not from a pass-through entity. Add to tentative taxable income all business interest expense, to the extent includable in tentative taxable income, that is not from a pass-

through entity. For section 163(j), business interest expense does not include interest from an excepted trade or business.

Note. Interest expense that is allocable to an excepted trade or business is not treated as business interest expense.

Line 9. Amount of any net operating loss deduction under section 172. Enter the amount of any net operating loss deduction carried forward or carried back to the current tax year under section 172.

Line 10. Amount of any qualified business income deduction allowed under section 199A. Enter the amount of any qualified business income deduction allowed under section 199A. To determine ATI, the section 199A deduction on line 10 is determined without regard to section 163(j). See Regulations section 1.163(j)-1(b)(43).

Line 11. Reserved for future use.
Reserved for future use.

Line 12. Amount of any loss or deduction items from a pass-through entity. Enter any amount of loss or deduction items from pass-through entities (regardless of whether the entity is subject to the section 163(j) limitation).

Line 13. Other additions. Enter the amount of any capital loss carryback or carryover.

A taxpayer subject to the section 163(j) limitation who has an interest in a pass-through entity not subject to the section 163(j) limitation should include their share of the entity's ATI in other additions. See *Ownership of pass-through entities not subject to the section 163(j) limitation*, earlier.

A C corporation should include investment income from a pass-through entity and any other tax items of a partnership that are neither properly allocable to a trade or business of the partnership nor described in section 163(d) and that are allocated to a C

corporation partner as separately stated items as other additions. See C corporation business interest expense and income, earlier.

For trusts and estates subject to section 163(j), add back the amount of any income distribution deduction under sections 651 and 661, and the deduction under section 642(c).

The ATI of a beneficiary (including a tax-exempt beneficiary) of a trust or a decedent's estate is reduced by any income (including any distributable net income) received from the trust or estate by the beneficiary to the extent such income was necessary to permit a deduction under section 163(j)(1)(B) and Regulations section 1.163(j)-2(b) for any business interest expense of the trust or estate that was in excess of any business interest income of the trust or estate.

A U.S. shareholder of an applicable CFC should include the amount added to the U.S. shareholder's tentative taxable income under

2020 Proposed Regulations section 1.163(j)-7(j). Separately list each inclusion by stand-alone applicable CFC or CFC group member.

A relevant foreign corporation should include the amount of any deduction for foreign income tax (as defined in Regulations section 1.960-1(b)) that was included in computing tentative taxable income on line 6 since foreign income taxes should not reduce ATI. See Regulations section 1.163(j)-7(g)(3).

Also include any other additions described in published guidance. If none, leave blank.

Line 15. Total current year S corporation shareholder's excess taxable income.

Enter the amount of any S corporation excess taxable income reported on Schedule B, line 46, column (c).

Reductions (Lines 17 Through 21)

Subtract from tentative taxable income certain adjustments to arrive at ATI. Do not include amounts that were not taken into

account in tentative taxable income on line 6. See ATI, defined earlier.

Line 17. Any item of income or gain which is not properly allocable to a trade or business of the taxpayer. Enter any item of income or gain, which is not properly allocable to a trade or business of the taxpayer, including the taxpayer's income or gain from any excepted trade(s) or business(es).

For example, gain from the sale of a taxpayer's personal residence would be entered on line 17 because it is not gain that is allocable to a trade or business of the taxpayer.

Do not include amounts from pass-through entities, which will be entered on line 19.

Line 18. Any business interest income not from a pass-through entity. Enter all business interest income, to the extent included in tentative taxable income on line 6,

that is not from a pass-through entity (regardless of whether the entity is subject to the section 163(j) limitation).

Line 19. Amount of any income or gain items from a pass-through entity. Enter the amount of any income or gain items from pass-through entities.

Line 20. Other reductions. Include floor plan financing interest expense.

For tax years beginning in 2022, ATI is computed with deductions for depreciation, amortization, depletion, and any other deduction prescribed in published guidance.

If you are filing Form 8990 for an applicable CFC, include the amount of any related party dividend income. See Regulations section 1.163(j)-7(g)(2).

A U.S. shareholder of an applicable CFC should include an amount equal to the sum of any specified deemed inclusions that were included in the computation of the taxpayer's

tentative taxable income, reduced by the portion of the deduction allowed under section 250(a) by reason of the specified deemed inclusions. See Regulations section 1.163(j)-1(b)(1)(ii)(G). Separately list each reduction by stand-alone applicable CFC or CFC group member.

Also include any other reductions described in published guidance. If none, leave blank.

A C corporation should include investment expenses from a pass-through entity and other tax items of a partnership that are neither properly allocable to a trade or business of the partnership nor described in section 163(d) and that are allocated to a C corporation partner as separately stated items as other reductions. See *C corporation business interest expense and income*, earlier.

Line 22. Adjusted taxable income

(ATI). If line 22 is zero or less, enter zero.

However, CFC group members should follow instructions below.

CFC group members. If a CFC group member has a negative amount of ATI, the CFC group member should report the negative amount on line 22. See Regulations section 1.163(j)-7(c)(2)(i).

Section III—Business Interest Income (Lines 23 Through 25)

Line 23. Current year business interest income. Enter the amount of business interest income directly paid to or accrued by the taxpayer. This does not include interest income from excepted trades or businesses.

For C corporations with an interest in a partnership, any investment interest income allocated to the C corporation is treated as

business interest income of the C corporation from a non-excepted trade or business.

See Ownership of pass-through entities not subject to the section 163(j) limitation, earlier.

Section IV—163(j) Limitation Calculations (Lines 26 Through 31)

Limitation on Business Interest Expense

Line 26. Applicable percentage of ATI limitation. Multiply the ATI from line 22 by the applicable percentage. The applicable percentage is 30% (30% ATI limitation).

For a partnership or S corporation, if line 26 is zero, enter -0- on lines 35 and 40.

Allowable Interest Expense

Line 30. Total current year business interest expense deduction. A taxpayer subject to the section 163(j) limitation will

enter on line 30 the smaller of line 29 or line 5. Line 30 is the amount of current year business interest expense deduction allowed after considering the section 163(j) limitation.

If a partner is not subject to the section 163(j) limitation and has partnership excess business interest expense treated as paid or accrued in the current year, enter the amount from Schedule A, line 44, column (h). The amount will not be subject to further limitation under section 163(j).

If the amount on line 29 is less than the amount on line 5 and business interest expense is reported on more than one location on the return (such as ordinary business interest expense and farming interest expense), then the disallowed business interest expense must be allocated to each source in proportion to the total amount of business interest expense from each source. Attach a schedule to Form 8990 that indicates the amount and line item on

the tax return where the business interest expense is being deducted.

Carryforward

Line 31. Disallowed business interest expense. Subtract line 29 from line 5. If zero or less, enter -0-.

Note. The amount on line 31 is used on the taxpayer's next year's Form 8990, line 2 (except for partnerships). If the taxpayer completing this form is a partnership, carry the amount on line 31 to Part II, line 32, of the current year Form 8990.

Part II—Partnership Pass-Through Items

Part II is completed by a partnership that is subject to section 163(j) and is required to file Form 8990. The partnership items are allocated to the partners and are not carried forward by the partnership.

See the Instructions for Form 1065 for how the partnership reports the excess business interest expense, excess taxable income, and excess business interest income to the partners.

See Ownership of pass-through entities not subject to the section 163(j) limitation, earlier.

Part III—S Corporation Pass-Through Items

Part III is completed by an S corporation that is subject to the section 163(j) limitation. The S corporation's excess taxable income and excess business interest income are allocated to the shareholders pro rata after the S corporation's section 163(j) limitation is determined and are not carried forward by the S corporation.

See the Instructions for Form 1120-S for how to report the excess taxable income and the excess business interest income to the shareholders.

Schedule A—Summary of Partner's Section 163(j) Excess Items

Any taxpayer that is required to complete Part I and is a partner in a partnership that is subject to the section 163(j) limitation must complete Schedule A before completing Part I. For a foreign person that is not a relevant foreign corporation with an interest in a partnership engaged in a U.S. trade or business, the amount of excess items is limited to ECI. For such foreign partners, report on Schedule A only the ECI portion of the excess section 163(j) amounts and attach a statement showing how the ECI portion of the excess section 163(j) amounts were determined. See 2020 Proposed Regulations section 1.163(j)-8(c) for additional information.

On line 43, enter the amount of current year excess business interest expense in column (c), current year excess taxable income in column (f), and the current year excess business interest income in column (g), reported to the partner on Schedule K-1 for each partnership.

Do not include excess business interest expense that is suspended under the basis limitation rules of section 704(d). See Regulations section 1.163(j)-6(h) for basis adjustment calculations and ordering rules for losses under section 704(d).

Line 43, column (c). Current year. Reduce the current year excess business interest expense by the amount of negative section 163(j) expense that relates to the current year excess business interest expense, and attach a statement to the Form 8990 identifying the partnership name and amount of negative 163(j) expense. See Regulations section 163(j)-6(h).

Line 43, column (d). Prior year

carryforward. From the prior year's Form 8990, enter the amount from line 43, column (i). Increase the prior year carryover by the amount of negative section 163(j) expense that is no longer suspended, or if applicable, reduce the prior year excess business interest expense by the amount of negative section 163(j) expense that relates to the prior year excess business interest expense. Attach a statement to the Form 8990 identifying the partnership name and a description of the adjustments and the amounts. See Regulations section 1.163(j)-6(h).

Line 43, column (h). Excess business interest expense treated as paid or accrued. Enter the lesser of:

- The total excess business interest expense amount in column (e), or
- The current year excess taxable income in column (f) plus the current year excess business interest income

in column (g) from the same partnership.

In addition, add any of the applicable amounts listed below, and attach a statement to the Form 8990 identifying the partnership name, amount, and description of addition.

- The amount of excess business interest expense carryover on line 43(d) if the partnership became an exempt entity during the tax year. See Regulations section 1.163(j)-6(m)(3).
- Any business interest expense that is treated in the current tax year, as paid or accrued under the transition rule of regulation for trading partnerships. See Regulations section 1.163(j)-6(c)(3).

Line 43, column (i). Current year excess business interest expense carryforward.

Columns 43(e) minus (h), less any excess business interest expense that previously

reduced partner basis that you are required to make a basis adjustment to upon disposition of partnership interest. See Regulations section 1.163(j)-6(h)(3).

Line 44, column (f). Total current year excess taxable income. If the partner is subject to the section 163(j) limitation, add the amounts entered on line 43, column (f), for all partnerships listed. Enter this total amount on Part I, line 14.

Line 44, column (g). Total current year excess business interest income. For the partners subject to the section 163(j) limitation, add the amounts entered on line 43, column (g), for all partnerships listed. Combine this total amount with Schedule B, line 46, column (d) and enter the total on Part I, line 24.

Line 44, column (h). Total excess business interest expense treated as paid or accrued. For the partners subject to the section 163(j) limitation, add the amounts

entered on line 43, column (h), for all partnerships listed. Enter this total amount on Part I, line 3. For partners not subject to the section 163(j) limitation, include this amount on Part I, line 30.

Schedule B—Summary of S Corporation Shareholder's Excess Taxable Income and Excess Business Interest Income

Any taxpayer that is required to complete Part I and is a shareholder in an S corporation that is subject to the section 163(j) limitation must complete Schedule B before completing Part I.

On line 45, enter the amount of current year excess taxable income in column (c) and current year excess business interest income in column (d), reported to the shareholder on Schedule K-1 for each S corporation.

Line 46, column (c). Total current year excess taxable income. Add the amounts entered on line 45, column (c), for all S corporations listed. Enter this total amount on Part I, line 15.

Line 46, column (d). Total current year excess business interest income. Add the amounts entered on line 45, column (d), for all S corporations listed. Combine this total amount with Schedule A, line 44, column (g) and enter the total on Part I, line 24.

Worksheet A—Determination of Each Partner's Deductible Business Interest Expense and Section 163(j) Excess Items and Worksheet B—Determination of Each Partner's Relevant Section 163(j) Items

The Regulations provide guidance regarding how a partnership subject to the section 163(j) limitation must allocate its deductible business interest expense and section 163(j)

excess items, if any, among its partners. The Regulations provide that deductible business interest expense and section 163(j) excess items must be allocated in accordance with the 11-step computation shown in Worksheets A and B. See Regulations section 1.163(j)-6(f). The partnership should use Worksheets A and B in these instructions and is responsible for keeping records that compute the allocation. Partnerships that allocate all section 163(j) items in step 2 proportionately do not need to use Worksheets A and B.

Lines 1 through 7 of Worksheet A are taken from the partnership's Form 8990, which it must complete first. Lines 8

through 10 reflect the manner in which the partnership allocated its ATI, business interest income, and business interest expense to its partners. Only items that were taken into account in lines 1 through 3 are taken into account in lines 8 through 10. As a

result, section 743(b) adjustments, section 704(c) remedial allocations, allocations of investment income and expense, and amounts determined for the partner under Regulations section 1.882-5 are not taken into account in lines 8 through 10. See Regulations section 1.163(j)-6(f)(2)(ii) for the definitions of “allocable ATI” (line 8), “allocable business interest income” (line 9), and “allocable business interest expense” (line 10). All of the information necessary to complete the rest of Worksheets A and B is contained in lines 1 through 10. See the Instructions for Form 1065 for how the partnership reports the excess business interest expense, excess taxable income, and excess business interest income to the partners.

The calculation in Regulations sections 1.163(j)-6(f)(2)(i) through (xi) is solely for determining each partner’s allocable share of deductible business interest expense, excess

business interest expense, excess taxable income, and excess business interest income. Accordingly, no rule set forth in Regulations section 1.163(j)-6(f)(2) prohibits a partnership from making an allocation to a partner that is otherwise permitted under section 704 and the regulations thereunder.

Worksheet C—Stand-Alone Applicable CFC/CFC Group Safe Harbor Election

Worksheet C is used to determine eligibility for the safe-harbor election under Regulations section 1.163(j)-7(h). Fill out Section 1 to indicate the type of election. Sections 2, 3, 4, and 5 determine eligibility. If the safe-harbor election is made for a stand-alone applicable CFC, the U.S. shareholders that file Form 8990 for the stand-alone applicable CFC must attach Worksheet C to their tax returns together with the Form 8990 of the stand-alone applicable CFC and complete Part I of the stand-alone applicable CFC's Form 8990 in accordance with these instructions for

Worksheet C. If the safe-harbor election is made for a CFC group, the U.S. shareholders that file the CFC group's Form 8990 must attach Worksheet C to their tax return together with the CFC group's Form 8990 and complete Part I of the CFC group's Form 8990 in accordance with these instructions for Worksheet C.

Complete Worksheet C before completing Part I of Form 8990. Complete lines A through D of Form 8990 in accordance with the instructions discussed earlier in Specific Instructions and complete the remainder of Form 8990 in accordance with the instructions below. If a safe-harbor election is made, Schedules A and B should not be completed.

A safe-harbor election may be made only for a stand-alone applicable CFC or for a CFC group. Thus, for example, it may not be made for an applicable CFC that is a specified group member if a CFC group election is not in effect, and it may not be made for any CFC

group member unless it is made with respect to the CFC group as a whole.

For purposes of the safe-harbor election, all items must be determined using the U.S. dollar. If business interest income, business interest expense, or any items that are taken into account in computing QTTI are maintained in a currency other than the U.S. dollar, then those items must be translated into the U.S. dollar using the average exchange rate for the tax year (or specified year, as applicable).

Line A. Stand-alone election. Check the box if the election is made for a stand-alone applicable CFC. A stand-alone applicable CFC is an applicable CFC that is not a specified group member and therefore not eligible to be a CFC group member.

Line B. CFC group election. Check the box if the election is made for a CFC group.

Line C. If a CFC group election has been made, for the specified period, does any CFC group member have any pre-group disallowed business interest expense carryforward? If yes, the CFC group is not eligible for the safe-harbor.

Line 1. Business interest income. Enter the stand-alone applicable CFC's business interest income if a stand-alone election is being calculated. Enter the CFC group's business interest income if a CFC Group election is being calculated. Also enter the amount from line 1 on Form 8990, line 25.

Line 2. Business interest expense. Enter the stand-alone applicable CFC's business interest expense if a stand-alone election is being calculated. Enter the CFC group's business interest expense if a CFC Group election is being calculated. Also enter the amount from line 2 on Form 8990, line 5.

Line 3. Subtract line 2 from line 1. If the amount on line 3 is greater than or equal to zero, the safe-harbor requirement is met if all other eligibility requirements are met. Check "Yes" on Form 8990, line D. Skip lines 4 through 14, continue to line 15. Leave the remaining lines of Form 8990, Part I (all lines other than line 5 and line 25) blank.

If the amount on line 3 is less than zero, continue to line 4.

Line 4. Qualified tentative taxable income (QTTI). Enter the stand-alone applicable CFC's QTTI if a stand-alone election is being calculated. Enter the CFC group's QTTI if a CFC group election is being calculated. Also enter the amount from line 4 on Form 8990, line 6.

With respect to a stand-alone applicable CFC, QTTI means an applicable CFC's tentative taxable income for the tax year, determined by taking into account only items properly allocable to a non-excepted trade or business.

With respect to a CFC group, QTTI means the sum of each CFC group member's tentative taxable income for the specified tax year, determined by taking into account only items properly allocable to a non-excepted trade or business. See Regulations section 1.163(j)-7(h)(4).

Line 5. Thirty percent of QTTI. Multiply QTTI from line 4 by 30% (0.30).

General instructions for lines 6 through 9. The amounts on lines 6 through 9 are determined based on the amounts that would be included and deducted by a hypothetical domestic corporation if the domestic corporation had a tax year ending on the last date of the tax year of the stand-alone applicable CFC (or specified period of the CFC group), it wholly owned the stand-alone applicable CFC throughout the CFC's tax year (or wholly owned each CFC group member throughout the CFC group member's specified tax year), it did not own any assets other

than stock in the stand-alone applicable CFC (or CFC group members), and it had no other items of income, gain, deduction, or loss. Additionally, the amounts on lines 6 through 9 are determined by taking into account any elections that are made with respect to the applicable CFC(s), including under Regulations section 1.954-1(d)(5) (relating to the subpart F high-tax exception) and Regulations section 1.951A-2(c)(7)(viii) (relating to the GILTI high-tax exclusion). These amounts are also determined without regard to any section 163(j) limitation on business interest expense and without regard to any disallowed business interest expense determined by only taking into account items of the applicable CFC(s) that are properly allocable to a non-excepted trade or business under Regulations section 1.163(j)-10. See Regulations section 1.163(j)-7(h)(3).

Line 6. Section 951(a)(1)(A) amount.

Include on line 6 amounts that would be includable by the hypothetical domestic corporation under section 951(a)(1)(A).

Line 7. Section 951A(a) amount. Include on line 7 amounts that would be includable by the hypothetical domestic corporation under section 951A(a).

Line 8. Section 250 amount. Include on line 8 any deduction that would be allowed for the hypothetical domestic corporation under section 250(a)(1)(B)(i).

Line 9. Section 245A amount. Include on line 9 any deduction that would be allowed for the hypothetical domestic corporation under section 245A (by reason of section 964(e)(4)).

Line 10. Total eligible amount. Combine lines 6 through 9. Enter the amount on Form 8990, line 22.

Line 11. Thirty percent of eligible amount. Multiply the eligible amount (line 10) by 30% (0.30).

Line 12. Enter the lesser of line 5 or line 11.

Line 13. Business interest expense. Enter the amount from line 2.

Line 14. Subtract line 13 from line 12. If the amount on line 14 is greater than or equal to zero, the safe-harbor requirement is met if all other eligibility requirements are met. Check "Yes" box on Form 8990, line D, and continue to line 15. Leave the remaining lines of Form 8990, Part I (all lines other than lines 5, 6, 22, and 25) blank.

If the amount on line 14 is less than zero, the safe-harbor eligibility requirements are not met.

Line 15. Name(s) of all designated U.S. persons. Enter the name(s) of all designated U.S. persons. Attach an additional statement if necessary.

Line 16. Taxpayer identification number(s) of line 15. Enter the taxpayer identification number(s) for all persons listed on line 15. Attach an additional statement if necessary.

Line 17. Tax year or specified period (as applicable). Enter the stand-alone applicable CFC's tax year or the CFC group's specified period to which the election relates.

Average Annual Gross Receipts Worksheet Per Section 448(c)

	Column A	Column B	Column C
	1st preceding tax year	2nd preceding tax year	3rd preceding tax year
1. Annual gross receipts	\$	\$	\$
2. Plus annual gross receipts of related entities per aggregate rules	\$	\$	\$
3. Total annual gross receipts	\$	\$	\$
4. Average annual gross receipts (line 3 columns A + B + C divided by 3)	\$		

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Determination of Each Partner’s Deductible Business Interest Expense and Section 163(j) Excess Items—Worksheet A

Keep for Your Records 

Before you begin:

✓

Complete Form 8990 before beginning this worksheet.

✓

This worksheet provides space for up to three partners. If there are more than three partners, use more than one worksheet. The total column should reconcile to amounts for all partners.

	Partner 1	Partner 2	Partner 3	Total
Step 1: Partnership-level calculation required by section 163(j)(4)(A).				
1. Partnership’s Adjusted Taxable Income (ATI) (Form 8990, line 22)				
2. Partnership’s business interest income (Form 8990, line 25)				
3. Partnership’s business interest expense (Form 8990, subtract line 4 from line 5)				
4. Partnership’s deductible business interest expense (Form 8990, subtract line 4 from line 30)				
5. Partnership’s excess business interest expense (Form 8990, line 32)				
6. Partnership’s excess taxable income (Form 8990, line 36)				
7. Partnership’s excess business interest income (Form 8990, line 37)				
Step 2: Determine each partner’s section 163(j) items.				
8. Partner’s allocable ATI. See instructions				
9. Partner’s allocable business interest income. See instructions				
10. Partner’s allocable business interest expense. See instructions				
Step 3: Partner-level comparison of business interest income and business interest expense.				
11. Subtract line 10 from line 9. (If zero or less, enter -0-.)				
12. Subtract line 9 from line 10. (If zero or less, enter -0-.)				
Step 4: Matching partnership and aggregate partner excess business interest income.				
13. Divide line 11 by the line 11 total column amount. (If the total column equals zero, enter -0-.)	%	%	%	%
14. Multiply line 13 by the line 12 total column amount				
15. Subtract line 14 from line 11. (If zero or less, enter -0-.)				
Step 5: Remaining business interest expense determination.				
16. Divide line 12 by the line 12 total column amount. (If the total column equals zero, enter -0-.)	%	%	%	%
17. Multiply line 16 by the line 11 total column amount				
18. Subtract line 17 from line 12. (If zero or less, enter -0-.)				
Step 6: Determination of final allocable ATI.				
19. If line 8 is greater than or equal to \$0, enter the amount from line 8. Otherwise, enter -0-				
20. If line 8 is less than \$0, enter the absolute value of line 8. Otherwise, enter -0-				
21. Divide line 19 by the line 19 total column amount. (If the total column equals zero, enter -0-.)	%	%	%	%
22. Multiply line 21 by the line 20 total column amount				
23. Subtract line 22 from line 19. (If zero or less, enter -0-.)				
Step 7: Partner-level comparison of the applicable percentage of ATI and remaining business interest expense.				
24. Multiply line 23 by the applicable percentage (defined earlier)				
25. Subtract line 18 from line 24. (If zero or less, enter -0-.)				
26. Subtract line 24 from line 18. (If zero or less, enter -0-.)				

Determination of Each Partner’s Deductible Business Interest Expense and Section 163(j) Excess Items—Worksheet A—Continued

Keep for Your Records 

	Partner 1	Partner 2	Partner 3	Total
Step 8: Partner priority right to ATI capacity excess determination.				
27a. Is the line 5 total column amount greater than zero? <input type="checkbox"/> Yes <input type="checkbox"/> No				
27b. Is the line 20 total column amount greater than zero? <input type="checkbox"/> Yes <input type="checkbox"/> No				
27c. Is the line 26 total column amount greater than zero? <input type="checkbox"/> Yes <input type="checkbox"/> No				
27d. Are lines 27(a), 27(b), and 27(c) all "Yes"? <input type="checkbox"/> Yes <input type="checkbox"/> No				
28. If line 27d is "No," enter the amount from line 25. Otherwise, complete Worksheet B				
29. If line 27d is "No," enter the amount from line 26. Otherwise, complete Worksheet B				
30. If line 27d is "No," enter -0-. Otherwise, complete Worksheet B				
Step 9: Matching partnership and aggregate partner excess taxable income.				
31. Divide line 28 by the line 28 total column amount. (If the total column equals zero, enter -0-.)	%	%	%	%
32. Multiply line 31 by the line 29 total column amount				
33. Subtract line 32 from line 28. (If zero or less, enter -0-.)				
Step 10: Match partnership and aggregate partner excess business interest expense.				
34. Divide line 29 by the line 29 total column amount. (If the total column equals zero, enter -0-.)	%	%	%	%
35. Multiply line 34 by the line 28 total column amount				
36. If line 30 is greater than zero, enter the amount from line 30. Otherwise, subtract line 35 from line 29. (If zero or less, enter -0-.)				
Step 11: Final section 163(j) excess item and deductible business interest expense allocation.				
37. Partner's deductible business interest expense. Subtract line 36 from line 10				
38. Partner's excess business interest expense. Enter the amount from line 36				
39. Partner's excess taxable income. Multiply line 33 by (10/3)				
40. Partner's excess business interest income. Enter the amount from line 15				
Note. <ul style="list-style-type: none">• Line 3: Equals the partnership's business interest expense, not taking into account floor plan financing interest expense. From Form 8990, subtract line 4 from line 5.• Line 4: Equals the partnership's deductible business interest expense, not taking into account floor plan financing interest expense. From Form 8990, subtract line 4 from line 30.• Line 8: Equals "allocable ATI" as defined in Proposed Regulations section 1.163(j)-6(f)(2)(ii).• Line 9: Equals "allocable business interest income" as defined in Proposed Regulations section 1.163(j)-6(f)(2)(ii). The line 9 total column amount must equal the line 2 total column amount.• Line 10: Equals "allocable interest expense" as defined in Proposed Regulations section 1.163(j)-6(f)(2)(ii). The line 10 total column amount must equal the line 3 total column amount.• Line 23: The line 23 total column amount must equal the line 1 total column amount.• Line 27d: If line 27d is "Yes," the partnership must complete Worksheet B (in order to get the correct values for lines 28–30) before proceeding to line 31 of Worksheet A.• Line 37: The line 37 total column amount must equal the line 4 total column amount.• Line 38: The line 38 total column amount must equal the line 5 total column amount.• Line 39: The line 39 total column amount must equal the line 6 total column amount.• Line 40: The line 40 total column amount must equal the line 7 total column amount.• The lines 13, 16, 21, 31, and 34 total column amount must equal 100% or zero.				

Determination of Each Partner’s Relevant
Section 163(j) Items—Worksheet B

Keep for Your Records 

Before you begin: ✓ Complete “Determination of Each Partner’s Deductible Business Interest Expense and Section 163(j) Excess Items—Worksheet A” before beginning this worksheet.

✓ This worksheet provides space for up to three partners. If there are more than three partners, use more than one worksheet. The total column should reconcile to amounts for all partners.

Step 8A: Who must complete this worksheet.

1. If the answer to line 27(d) of Worksheet A is “Yes,” complete this worksheet.

	Partner 1	Partner 2	Partner 3	Total
Step 8B: Determine whether to perform Step 8C or Step 8D.				
2. Subtract line 23 of Worksheet A from line 19 of Worksheet A .				
3. Multiply line 2 of Worksheet B by the applicable percentage .				
4. If line 26 of Worksheet A is greater than zero, enter the amount from line 3 of Worksheet B. Otherwise, enter -0-				
5. Enter the smaller of line 4 of Worksheet B or line 26 of Worksheet A				
6. If the line 25 total column amount of Worksheet A is greater than or equal to the line 5 total column amount of Worksheet B, complete Step 8C of Worksheet B. If the line 5 total column amount of Worksheet B is greater than the line 25 total column amount of Worksheet A, complete Step 8D of Worksheet B.				

Step 8C: Calculate lines 28, 29, and 30 of Worksheet A. Return to and complete Worksheet A after Step 8C.

7. Divide line 25 of Worksheet A by the line 25 total column amount of Worksheet A. (If the line 25 total column amount of Worksheet A equals zero, enter -0-.)	%	%	%	%
8. Multiply line 7 of Worksheet B by the line 5 total column amount of Worksheet B				
9. Subtract line 8 of Worksheet B from line 25 of Worksheet A. Enter the amount(s) on line 28 of Worksheet A				
10. Subtract line 5 of Worksheet B from line 26 of Worksheet A. Enter the amount(s) on line 29 of Worksheet A				
11. Enter -0- on line 30 of Worksheet A.				

Step 8D: Calculate lines 28, 29, and 30 of Worksheet A. Return to and complete Worksheet A after Step 8D.

12. Divide line 4 of Worksheet B by the line 4 total column amount of Worksheet B. (If the line 4 total column amount of Worksheet B equals zero, enter -0-.)				
13. Multiply line 12 of Worksheet B by the line 25 total column amount of Worksheet A				
14. If line 4 of Worksheet B is greater than zero, enter the amount from line 26 of Worksheet A. Otherwise, enter -0-				
15. Subtract line 14 of Worksheet B from line 13 of Worksheet B. (If zero or less, enter -0-.) Enter the amount(s) on line 28 of Worksheet A				
16. Subtract line 13 of Worksheet B from line 14 of Worksheet B. (If zero or less, enter -0-.) Enter the amount(s) on line 29 of Worksheet A				
17. If line 4 of Worksheet B equals zero, enter the amount from line 26 of Worksheet A. Otherwise, enter -0-. Enter the amount(s) on line 30 of Worksheet A				

Stand-Alone Applicable CFC/CFC Group Safe Harbor Election
Section 163(j) Items—Worksheet C

Attach to Your Return 

Name of foreign entity _____				
Employer identification number, if any _____		Reference ID number _____		
Section 1—Type of Safe-Harbor Election				
A. Stand-alone election <input type="checkbox"/> B. CFC group election <input type="checkbox"/>				
C. If CFC group election has been made, for the specified period, does any CFC group member have any pre-group disallowed business interest expense carryforward? <input type="checkbox"/> Yes <input type="checkbox"/> No				
If “Yes,” STOP; the CFC group is not eligible for safe-harbor.				
Section 2—Business Interest Income Safe-Harbor Calculation				
1 Business interest income	1			
2 Business interest expense	2			
3 Subtract line 2 from line 1. See instructions			3	
Section 3—Qualified Tentative Taxable Income Calculation				
4 Qualified tentative taxable income	4			
5 Multiply qualified tentative taxable income (line 4) by the applicable percentage. See instructions			5	
Section 4—Eligible Amount Calculation				
6 Section 951(a)(1)(A) amount	6			
7 Section 951A(a) amount	7			
8 Section 250 amount	8	()		
9 Section 245A amount	9	()		
10 Total eligible amount. Combine lines 6 through 9	10			
11 Multiply eligible amount (line 10) by the applicable percentage. See instructions			11	
Section 5—Safe-Harbor Calculation				
12 Enter the lesser of line 5 or line 11			12	
13 Business interest expense			13	
14 Subtract line 13 from line 12. See instructions			14	
Section 6—Name and Taxpayer Identification Number of All Designated U.S. Persons				
15 Name(s) of all designated U.S. persons _____				
16 Taxpayer identification number(s) of persons on line 15 _____				
17 Taxable year or specified period (as applicable) _____				

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for business taxpayers filing this form is approved under OMB control number 1545-

0123 and is included in the estimates shown in the instructions for their business income tax return.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.