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1. Inbound: Base Erosion and Profit Shifting: New §163(j)'s Disallowed Interest Definition

Scope of Rule

§163(j) applies to all taxpayers except excluded "businesses". See previous slide. Special rules for partnerships/S Corps//Consolidated Groups. See Notice 2018-28.

Corporations:

Business Interest Expense Limitation applies at a **consolidated group level**. How will these rules apply to partnerships owned within consolidated groups? Stay tuned.

Partnerships:

- 1. Business Interest Expense Limitation determined at **partnership level**.
- 2. Deductible business interest expense is accounted for in computing the **partner's share** of separately stated income/loss. Disallowed business interest (disallowed at partnership level) is carried forward at the **partner level** to succeeding taxable years and deductible by the **partner** only if the partner is allocated excess taxable income from that partnership in a future year.
- 3. Partnership ATI is excluded from the partner's separate ATI calculation for purposes of applying §163(j) on items outside partnership.

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Also available as part of the eCourse <u>Impacts of the Tax and Jobs Act: Choice of Entity, M&A, and International</u> <u>Changes</u>

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