

163(j)(4)(C): Excess Taxable Income

Summary: A partner treats previously allocated excess business interest expense as paid or accrued to the extent of allocated excess taxable income (ETI) from the partnership.

The diagram illustrates the formula for calculating Excess Taxable Income (ETI) under Section 163(j)(4)(C). The formula is presented as a sequence of components connected by mathematical operators. A color key at the bottom left identifies the components: blue for the final solution (ETI), dark grey for formula components, and purple for repeating formula components.

Color Key:

- Solution
- Formula component
- Repeating formula component

Formula:

$$\text{ETI}^a = \text{Adjusted Taxable Income (ATI)}^b \times \left(\text{Repeating Component}^c - \left(\text{Business Interest Expense}^c - \text{Floor Plan Financing Interest Expense}^d \right) - \text{Business Interest Income}^e \right)$$

The repeating component is defined as:

$$\text{Repeating Component}^c = 0.3 \times \text{ATI}$$

The diagram uses color coding to highlight the repeating component (purple) and the final solution (blue). Brackets are used to group the terms within the parentheses, and a horizontal line separates the repeating component from the rest of the formula.