

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 follows:

$$\text{ETI}^a = \text{Adjusted Taxable Income (ATI)}^b \times \left(0.3 \times \text{ATI} - \left(\text{Business Interest Expense}^c - \text{Floor Plan Financing Interest Expense}^d \right) - \text{Business Interest Income}^e \right)$$

Color Key:

- Solution
- Formula component
- Repeating formula component

The diagram uses color coding to identify the components of the formula:

- Solution:** ETI^a (represented by a blue box)
- Formula component:** Adjusted Taxable Income (ATI)^b (represented by a dark gray box), Business Interest Expense^c (represented by a dark gray box), Floor Plan Financing Interest Expense^d (represented by a dark gray box), and Business Interest Income^e (represented by a dark gray box).
- Repeating formula component:** 0.3 × ATI (represented by a purple box, appearing twice in the formula).