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.

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

Color Key:

- Solution
- Formula component
- Repeating formula component