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or businesses, electing farming businesses, and certain regulated public utilities.

Jul. 29, 2020

The image displays three overlapping IRS tax forms. The top form is Form 1065, 'U.S. Return of Partnership Income', for the calendar year 2005. Below it is Form 1120S, 'U.S. Income Tax Return for an S Corporation', also for the calendar year 2005. The bottom form is Form 1120, 'U.S. Corporation Income Tax Return', for the calendar year 2005 or tax year beginning in 2005. The forms are from the Department of the Treasury, Internal Revenue Service. The 1120S form includes a section for 'Effective date of S election' and a 'Use the IRS label' section. The 1120 form includes a 'Check it' section with options for consolidated return, personal holding company, personal service corporation, and Schedule M-3 required.

The Internal Revenue Service has issued [final regulations](#) regarding the provision of the Tax Cuts and Jobs Act that limits the deduction for business interest expense, including basic statutory amendments made by the CARES Act.

For tax years beginning after Dec. 31, 2017, business interest expense deductions are generally limited to the sum of:

- the taxpayer's business interest income;
- 30% (or 50%, as applicable) of the taxpayer's adjusted taxable income; and
- the taxpayer's floor plan financing interest expense.

The business interest expense deduction limitation does not apply to certain small

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Taxpayers use Form 8990, Limitation on Business Interest Expense Under Section 163(j), to calculate and report their deduction and the amount of disallowed business interest expense to carry forward to the next tax year.

Along with the final regulations, the IRS today issued the following additional items of guidance related to the business interest expense deduction limitation.

Proposed Regulations that provide additional guidance on various business interest expense deduction limitation issues not addressed in the final regulations, including more complex issues related to the amendments made by the CARES Act. Subject to certain restrictions, taxpayers may rely on some of the rules in these proposed regulations until final regulations implementing the proposed regulations are published in the Federal Register. Written or electronic comments and requests for a public hearing on these proposed regulations must be received within 60 days of date of filing for public inspection with the Federal Register.

Notice 2020-59 contains a proposed revenue procedure that provides a safe harbor allowing taxpayers engaged in a trade or business that manages or operates qualified residential living facilities to treat such trade or business as a real property trade or business solely for purposes of qualifying as an electing real property trade or business. Written or electronic comments on the proposed revenue procedure must be received no later than Monday, Sept. 28, 2020.

Aggregation FAQs provide a general overview of the aggregation rules that apply for purposes of the gross receipts test, and that apply to determine whether a taxpayer is a small business that is exempt from the business interest expense deduction limitation.

For more information about this and other TCJA provisions, visit [IRS.gov/taxreform](https://www.irs.gov/taxreform)

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