



December 2018

IRS Releases Proposed Regulations on New Business Interest Expense Deduction Limit

Nathan Clark, Partner | DHG Tax

On November 26, 2018, The Internal Revenue Service (IRS) issued proposed regulations for a provision of the Tax Cuts and Jobs Act (TCJA), which limits the business interest expense deduction for certain taxpayers.

For tax years beginning after December 31, 2017, the proposed regulations state that the deduction for business interest expense is generally limited to the sum of a taxpayer's business interest income, 30 percent of adjusted taxable income and floor plan financing interest. The new Form 8990, *Limitation on Business Interest Expense Under Section 163(j)* will be used to report the deduction and amount of disallowed business interest expense to carry forward to the next tax year.

The section 163(j) interest deduction limitation does not apply to certain taxpayers with average annual gross receipts of \$25 million or less, determined under Section 448(c). The limitation also does not apply to the following trades or businesses:

- Trades or businesses of providing services as an employee
- Electing real property trades or businesses
- Electing farming businesses
- Certain regulated utility businesses

Taxpayers may rely on the proposed regulations until final regulations are released. DHG will continue to monitor other updates from the IRS as they are released.

Nathan Clark
Partner, DHG Tax
tax@dhg.com