



## TENNESSEE DEPARTMENT OF REVENUE Excise Tax Interest Expense Worksheet

**Do not file with return. Keep for your records.**

Taxable Year	Taxpayer Name	Account No./FEIN
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### Worksheet - Separate Entity Pro Forma Interest Expense Calculation

1. Interest expense deducted on consolidated federal return.....(1) \_\_\_\_\_
2. Uncapped third-party and related-party interest expense of taxpayer (intercompany excluded) .....(2) \_\_\_\_\_
3. Uncapped third-party and related-party interest expense of federal consolidated group  
(intercompany excluded) .....(3) \_\_\_\_\_
4. Taxpayer's portion of federal interest deduction (Line 1 x Line 2 / Line 3).....(4) \_\_\_\_\_
5. Taxpayer's intercompany interest expense .....(5) \_\_\_\_\_
6. Interest expense deductible on pro forma return (add Line 4 and Line 5) .....(6) \_\_\_\_\_

### Instructions: Excise Tax Interest Expense Worksheet

For tax years beginning on or after January 1, 2018 I.R.C. § 163(j) limits the interest expense deductible for federal income tax purposes. Public Chapter 1011 of 2018 provides that all interest that would have been deductible prior to the Tax Cuts and Jobs Act of 2017, Pub. L. No. 115-97, be deducted for excise tax purposes for tax years beginning on or after January 1, 2020. Tax years beginning on or after January 1, 2018 and before January 1, 2020 will be subject to the limitations of I.R.C. § 163(j) when calculating the excise tax base. Since the I.R.C. § 163(j) limitations are applied on a consolidated basis, the interest expense deduction for each individual taxpayer must be calculated based on its pro rata share of the federal deduction. Intercompany interest expense paid or accrued to other members of the federal consolidated group are deducted without regard to the I.R.C. § 163(j) limitations.

### Worksheet - Separate Entity Pro Forma Interest Expense Calculation

- Line 1: Enter the amount of interest expense deducted on consolidated federal return.
- Line 2: Enter the taxpayer's third-party and related-party interest expense without regard to the I.R.C. § 163(j) limitation. Do not include intercompany interest expense paid or accrued to other members of the federal consolidated group.
- Line 3: Enter the federal consolidated group's third-party and related-party interest expense without regard to the I.R.C. § 163(j) limitation. Do not include intercompany interest expense paid or accrued to members of the federal consolidated group.
- Line 4: Multiply Line 1 by Line 2 and Divide by Line 3.
- Line 5: Enter the taxpayer's intercompany interest expense paid or accrued to other members of the federal consolidated group.
- Line 6. Add Line 4 and Line 5. Enter this amount on the interest expense line of the pro forma federal return used for Tennessee excise tax purposes.