

TaxNewsFlash

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IRS issues FAQs regarding section 163(j) limitation following amendments by OBBBA

The IRS today issued frequently asked questions (FAQs) in [Fact Sheet 2025-9](#) regarding the limitation on the deduction for business interest expense under section 163(j), following amendments to that provision enacted by Pub. L. No. 119-21 (the “One Big Beautiful Bill Act” (OBBA)).

As explained in the related IRS release—[IR-2025-126](#) (December 23, 2025):

- For tax years beginning after December 31, 2024, OBBBA amended section 163(j) by:
 - Allowing taxpayers to add back deductions for depreciation, amortization, or depletion when calculating “adjusted taxable income” (ATI)
 - Expanding the definition of floor plan financing interest to treat, as a motor vehicle, any trailer or camper designed to provide temporary living quarters for recreational, camping, or seasonal use and designed to be towed by, or affixed to, a motor vehicle
- For tax years beginning after December 31, 2025, OBBBA amended section 163(j) by:
 - Clarifying that business interest expense subject to section 163(j) includes any interest incurred and capitalized during the tax year, except for interest capitalized under sections 263(g) and 263A(f)
 - Excluding a U.S. shareholder’s controlled foreign corporation (CFC) income inclusion items under sections 951(a), 951A(a) and 78, and associated deductions, from the computation of ATI

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