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KPMG report: Section 163(j) considerations on the disposition of partnership property and partnership interests

Transactions that involve the disposition of partnership property or partnership interests may trigger rules that limit business interest expense deductions.

In particular, section 163(j) generally limits the deductibility of a partnership's business interest expense to an amount equal to its business interest income and 30% of its adjusted taxable income (ATI). Many taxpayers may be familiar with the timing provision that allowed a beneficial addback to ATI for depreciation, depletion, and amortization during the 2018 through 2021 tax years. However, taxpayers may be less familiar with the requirement to reduce ATI by the addback if the partnership disposes of its property or a partner disposes of its partnership interest. Further, the reversal of the addback may be even more unexpected if the disposition is part of a nonrecognition transaction.

Read a [January 2023 report](#) [PDF 406 KB] prepared by KPMG LLP: *What's News in Tax: Time to Pay the Piper—Section 163(j) Considerations on the Disposition of Partnership Property and Partnership Interests*

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