2005

Massachusetts Department of Revenue

Schedule ABI
Exceptions to the Add Back of Interest Expenses

Enclose this schedule to claim an exception to the requirement under MGL, Ch. 63, sec. 31J and 31K to add back to net income related member interest expenses and costs. Complete the relevant exception(s) for each related member as to which an exception is being claimed.

Taxpayer Information

Taxpayer name	Federal Identification number	For tax year beginning	Ending
Related member reporting the income	Federal Identification number	For tax year beginning	Ending
Name of jurisdiction(s) in which related member is taxed on net income (if applicable)			
Principal reporting corporation (if applicable)	Federal Identification number	For tax year beginning	Ending

Exception 1. Full exception for interest paid, accrued, or incurred to a related entity that is taxed at a similar rate.

1	Amount of deductible interest claimed by taxpayer	1	
2	Actual tax rate applied to taxpayer (from Forms 355, 355C, 355S, 63FI, or P.S.1)	2	
3	Enter the tax rate applied to the interest from the related entity's return	3	
4	Related entity's apportionment percentage from the return. If an apportionment formula was not used, enter "1"	4	
5	Multiply line 3 by line 4	5	
6	Subtract line 5 from line 2	6	
7	Exception amount. If line 6 is equal to or less than .03, enter the amount from line 1 here and in Total Exceptions, line 1. Otherwise, enter "0".	7	

Exception 2. Partial exception for interest paid, accrued, or incurred to a related corporation.

Do not complete this section if you have claimed Exception 1 as to the same interest add back. Complete this section only if the interest was reported as net income by the related corporation and, if applicable, the tax reported by the related corporation on that return exceeded the minimum tax.

1	Amount of deductible interest claimed by taxpayer	1	
2	Amount of the interest income reported by related corporation	2	
3	Net income of related corporation	3	
4	Enter the smaller number from line 2 or 3.	4	
5	Taxpayer's apportionment percentage from the apportionment schedule, line 5. Enter "1" if an apportionment schedule was not filed.	5	
6	Related corporation's apportionment percentage from the apportionment schedule, line 5. Enter "1" if an apportionment schedule was not filed	6	
7	Multiply line 1 by line 5	7	
8	Multiply line 4 by line 6	8	
9	Tax rate applied to taxpayer (from Forms 355, 355C, 355S, 63FI, or P.S.1)	9	
10	Tax rate applied to related corporation	10	
11	Multiply line 7 by line 9	11	
12	Multiply line 8 by line 10	12	
13	Exception amount. If line 12 is greater than line 11, enter the amount from line 1. Otherwise, divide line 12 by line 9 and divide the result by line 5. Enter the result here and in Total Exceptions, line 2	13	

Exception 3. Partial exception for the interest paid, accrued, or incurred to a related individual.

Complete this section only if the interest is or will be reported as net income by the related individual. Do not complete this section if you have claimed Exception 1 as to the same interest add back.

1	Amount of deductible interest claimed by taxpayer	1	
2	Amount of the interest income reported by the related individual	2	
3	Net income of related individual	3	
4	Enter the smaller of lines 2 or 3	4	
5	Taxpayer's apportionment percentage from the apportionment schedule, line 5. Enter "1" if an apportionment schedule was not filed.	5	
6	Multiply line 1 by line 5	6	
7	Tax rate applied to taxpayer (from Forms 355, 355C, 355S, 63FI, or P.S.1)	7	
8	Tax rate applied to related individual	8	
9	Multiply line 6 by line 7	9	
10	Multiply line 4 by line 8	10	
11	Exception amount. If line 10 is greater than line 9, enter the amount from line 1. Otherwise, divide the amount in line 10 by line 7 and divide the result by line 5. Enter result here and in Total Exceptions, line 3	11	

Exception 4. Exception based on supporting statement.

The taxpayer must prepare with its tax return and make available to the Commissioner upon request a supporting statement prepared in accordance with the Department's public written statements. All double tax exceptions must be made by answering the questions set forth in the preceding sections.

Check the basis for this claim:

☐ Business purpose/economic substance

☐ Section 31K foreign treaty exception

1	Amount of the deductible interest claimed by taxpayer	1	
2	Name of the related member to which the taxpayer paid, accrued or incurred the interest cost or expense	2	
3	FID of the related member to which the taxpayer paid, accrued or incurred the interest cost or expense	3	
4	Date when the underlying debt or liability was originally incurred (if the cost or expense was paid, accrued or incurred pursuant to a note or similar obligation, date of the note or instrument)	4	
5	Dollar amount of the underlying debt or liability as originally incurred	5	
6	Outstanding dollar amount of the debt or liability at the end of the tax year covered by this tax return	6	
7	If the underlying debt or liability has a fixed term, enter the termination date	7	
8	Interest rate on the underlying debt or liability (if a variable rate, enter the effective rate for the period covered by this tax return)	8	
9	If the taxpayer is seeking the section 31K exception, enter the name of the foreign nation in which the related member is resident	9	

10 Was the interest cost or expense paid, accrued or incurred pursuant to a note or similar instrument? ☐ Yes ☐ No

11 If the answer to question 10 is yes, was the interest cost or expense paid, accrued or incurred in connection with a dividend note or similar instrument? ☐ Yes ☐ No

12 Did the taxpayer assert an add back exception in connection with the debt or liability on its Massachusetts tax return for a prior year? ☐ Yes ☐ No

13 Was the interest cost or expense actually paid (e.g., as opposed to accrued)? ☐ Yes ☐ No

14 If the answer to question 13 is yes, was the amount paid substantially returned to the taxpayer, either directly or indirectly, during the tax year (e.g., through the means of a dividend, loan, etc.)? ☐ Yes ☐ No

15 Was the underlying transaction entered into in whole or in part on the advice of a tax advisor? ☐ Yes ☐ No

16 Was the interest cost or expense the result of the taxpayer participating in a cash management, cash sweep or similar arrangement or system? ☐ Yes ☐ No

17 Is the amount of interest cost or expense the result of or supported by a written study or appraisal? ☐ Yes ☐ No

18 The taxpayer may use the space below to provide greater detail concerning its exception 4 claim.

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Total Exceptions

1	Enter amount from Exception 1, line 7	1	
2	Enter amount from Exception 2, line 13	2	
3	Enter amount from Exception 3, line 11	3	
4	Enter amount from Exception 4, line 1	4	
5	Total add back exception. Add lines 1 through 4. Enter here and on appropriate corporate return	5	