



Schedule ABI Exceptions to the Add Back of Interest Expenses

2012
Massachusetts
Department of
Revenue

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 a separate schedule for each transaction with a related member as to which an exception is 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)	Unitary business identifier		
Principal reporting corporation (if applicable)	Federal Identification number	For tax year beginning	Ending

Deduction claimed is taken on:

Form 355U, Schedule U-E Form 355U, Schedule U-MTI Form 355 or 355S, Schedule E Other

Total Exceptions Claimed

1 Enter amount from Exception 1, line 7	1	
2 Enter amount from Exception 2, line 15f	2	
3 Enter amount from Exception 3, line 1	3	
4 Total add back exception claimed. Add lines 1 through 3. Enter here and on appropriate corporate return.	4	

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

1 Amount of deductible interest expense or cost claimed by taxpayer	1	
2 Actual tax rate applied to taxpayer (from Forms 355, 355U, 355S, 63FI, or P.S.1)	2	
3 Enter the tax rate(s) applied to the corresponding interest income from the related member's return(s). Do not enter the tax rate of a jurisdiction in which the related member is filing with the taxpayer on a combined or unitary basis:		
a	b	c
d	e	
4 Provide related member apportionment percentage(s) for the jurisdiction(s) referenced in line 3. Enter "1" if the related member is taxable in only one jurisdiction and therefore not subject to apportionment:		
a	b	c
d	e	
5 Multiply line 3 by line 4. Where the related member is taxed in more than one jurisdiction, multiply the respective responses in lines 3 and 4:		
a	b	c
d	e	
Add lines 5a through 5e	5f	
6 Subtract line 5f from line 2	6	
7 Exception amount claimed. If line 6 is equal to or less than .03, enter the amount from line 1 here and in Total Exceptions Claimed, line 1. Otherwise, enter "0"	7	

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

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

1	Amount of deductible interest expense or cost claimed by taxpayer	1	<input type="text"/>
2	Taxpayer's apportionment percentage from the apportionment schedule, line 5. Enter "1" if an apportionment schedule was not filed.	2	<input type="text"/>
3	Multiply line 1 by line 2	3	<input type="text"/>
4	Tax rate applied to taxpayer (from Forms 355, 355U, 355S, 63FI, or P.S.1)	4	<input type="text"/>
5	Multiply line 3 by line 4	5	<input type="text"/>
6	Total interest expense or cost incurred to related member by all other related members including the taxpayer.	6	<input type="text"/>
7	Divide line 1 by line 6	7	<input type="text"/>
8	For each of the jurisdictions where the related member is taxed, enter the related member's net income. Do not enter any amount for a jurisdiction in which the related entity is filing with the taxpayer on a combined or unitary basis:		
a	<input type="text"/>	b	<input type="text"/>
c	<input type="text"/>	d	<input type="text"/>
e	<input type="text"/>		<input type="text"/>
9	Multiply line 8 by line 7. Where the related member is taxed in more than one jurisdiction, multiply line 7 by the response for each jurisdiction in line 8 and place the response in the box that corresponds to the response in line 8:		
a	<input type="text"/>	b	<input type="text"/>
c	<input type="text"/>	d	<input type="text"/>
e	<input type="text"/>		<input type="text"/>
10	For each of the jurisdictions referenced in line 8, enter either the amount from line 1 or the amount from line 9, whichever amount is lower:		
a	<input type="text"/>	b	<input type="text"/>
c	<input type="text"/>	d	<input type="text"/>
e	<input type="text"/>		<input type="text"/>
11	Provide related member apportionment percentages for the jurisdiction(s) referenced in line 8. Enter "1" if the related member is taxable in only one jurisdiction and therefore not subject to apportionment:		
a	<input type="text"/>	b	<input type="text"/>
c	<input type="text"/>	d	<input type="text"/>
e	<input type="text"/>		<input type="text"/>
12	Multiply line 10 by line 11. Where the related member is taxed in more than one jurisdiction, multiply the response for each jurisdiction in line 10 by the response that corresponds to the response for that jurisdiction in line 11:		
a	<input type="text"/>	b	<input type="text"/>
c	<input type="text"/>	d	<input type="text"/>
e	<input type="text"/>		<input type="text"/>
13	For each of the jurisdictions referenced in line 8, enter the tax rate(s) applied to the related entity:		
a	<input type="text"/>	b	<input type="text"/>
c	<input type="text"/>	d	<input type="text"/>
e	<input type="text"/>		<input type="text"/>
14	Divide each of the rates entered in line 13 by the rate entered in line 4. Enter no more than "1":		
a	<input type="text"/>	b	<input type="text"/>
c	<input type="text"/>	d	<input type="text"/>
e	<input type="text"/>		<input type="text"/>
15	Exception amount claimed. Multiply line 12 by line 14. Where the related member is taxed in more than one jurisdiction, multiply the response for each jurisdiction in line 12 by the response that corresponds to the response for that jurisdiction in line 14, and total. Enter the result here and in Total Exceptions Claimed, line 2:		
a	<input type="text"/>	b	<input type="text"/>
c	<input type="text"/>	d	<input type="text"/>
e	<input type="text"/>		<input type="text"/>
	Add lines 15a through 15e	15f	<input type="text"/>

Exception 3. 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 claimed 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. Enter result here and in Total Exceptions Claimed, line 3 **1**
- 2** Name of the related member to which the taxpayer paid, accrued or incurred the interest cost or expense _____
- 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 reduction of tax a principal purpose for the underlying transaction? Yes No
- 17** 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
- 18** Is the amount of interest cost or expense the result of or supported by a written study or appraisal? Yes No
- 19** The taxpayer may use the space below to provide greater detail concerning its Exception 3 claim.
