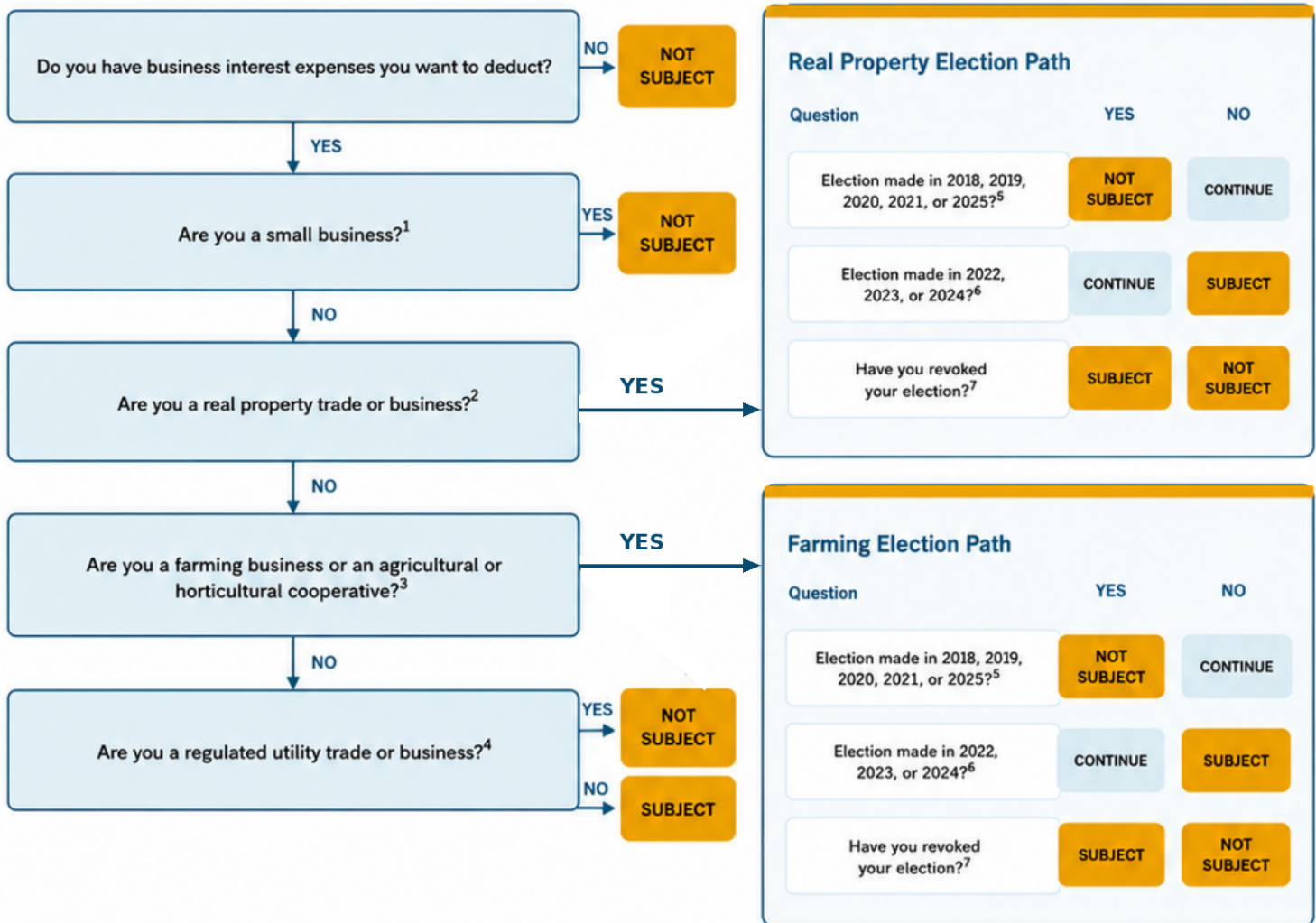


163(j) Decision Tree

Are you subject to the Section 163(j) limitations?

Follow the prompts and use the first applicable result. Election-related paths apply only after you identify a real property trade or business, farming business, or agricultural/horticultural cooperative.



1. Small businesses must meet the Section 448(c) gross receipts test, which is that their three-year average annual gross receipts must be less than a predetermined threshold: \$32 million in 2026, and \$31 million in 2025.

2. Real property trades or businesses are defined in Section 469(c)(7)(C) as any real property development, redevelopment, construction, reconstruction, acquisition, conversion, rental, operation, management, leasing, or brokerage trade or business.

3. Farming businesses are defined in Section 263A(e)(4) as those that operate a nursery or sod farm, or raise/harvest trees bearing fruit, nuts, or other crops, or ornamental trees (other than Christmas tree farms). Agricultural or horticultural cooperatives are defined in Section 199A(g)(2).

4. Excepted regulated utility trades or businesses are those that furnish or sell (1) electrical energy, water, or sewage disposal services, (2) gas or steam through a local distribution system, or (3) transportation of gas or steam by pipeline.

5. Elections made in 2018, 2019, 2020, 2021, and 2025 are irrevocable and binding in all future tax years.

6. Elections made during these years can be revoked pursuant to Revenue Procedure 2026-17.

7. To revoke their election, taxpayers must follow the procedures outlined in Revenue Procedure 2026-17, which includes filing an amended return for the year the election was made and attaching a withdrawal statement.

163(j) Decision Tree

Have questions about how to evaluate whether your business may qualify for an exception to the Section 163(j) business interest limitation rules? Use this 163(j) decision tree to review key eligibility factors, including gross receipts thresholds, industry-specific exceptions, and considerations around revoking a prior election, so you can better assess which path may be right for your business.



Small businesses must meet the [Section 448\(c\)](#) gross receipts test, which is that their three-year average annual gross receipts must be less than a predetermined threshold: [\\$32 million in 2026](#), and [\\$31 million in 2025](#).



Real property trades or businesses are defined in [Section 469\(c\)\(7\)\(C\)](#) as any real property development, redevelopment, construction, reconstruction, acquisition, conversion, rental, operation, management, leasing, or brokerage trade or business.



Farming businesses as defined in [Section 263A\(e\)\(4\)](#) include those that operate a nursery or sod farm, or raise/harvest trees bearing fruit, nuts, or other crops, or ornamental trees (other than Christmas tree farms). Agricultural or horticultural cooperatives are defined in [Section 199A\(g\)\(2\)](#).



Excepted regulated utility trades or businesses are those that furnish or sell (1) electrical energy, water, or sewage disposal services, (2) gas or steam through a local distribution system, or (3) transportation of gas or steam by pipeline.



Elections made for 2018, 2019, 2020, 2021, and 2021 are irrevocable and binding in all future tax years.



Elections made for 2022, 2023, and 2024 can be revoked pursuant to [Revenue Procedure 2026-17](#).



To revoke their election, taxpayers must follow the procedures outlined in [Revenue Procedure 2026-17](#), which includes filing an amended return for the year the election was made and attaching a withdrawal statement. The amendment must be filed before the tax return statute of limitations expires, and no later than October 15, 2026.

†This is not a CPA firm.

*Assurance, attest, and audit services provided by Carr, Riggs & Ingram, L.L.C.

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