### GENERAL INSTRUCTIONS

#### PURPOSE OF FORM

Interest expense paid by an individual, estate, or a trust on a loan that is allocable to property held for investment (defined below), may not be fully deductible in the current year. Form 4952A is used to figure the amount of investment interest expense deductible for the current year and the amount, if any, to carry forward to future years.

For more details, refer to Federal Publication 550, Investment Income and Expenses.

**CAUTION: The investment interest deduction for Alabama is computed as if the federal passive income limitation did not exist. Net capital gain from the disposition of investment property is included in investment income for Alabama purposes.**

#### WHO MUST FILE

- If you are an individual, estate, or a trust, and you claim a deduction for investment interest expense, you must complete and attach Form 4952A to your tax return unless all of the following apply:
  - Your only investment income was from interest or dividends;
  - You have no other deductible expenses connected with the production of interest or dividends;
  - Your investment interest expense is not more than your investment income; and
  - You have no carryovers of investment interest expense from 2007.

**ALLOCATION OF INTEREST EXPENSE UNDER TEMPORARY FEDERAL REGULATIONS SECTION 1.163-8T**

If you paid or accrued interest on a loan and you used the proceeds of the loan for more than one purpose, you may have to allocate the interest paid. This is necessary because of the different rules that apply to investment interest, personal interest, trade or business interest, and home mortgage interest. See Federal Publication 550, Investment Income and Expenses.

### SPECIFIC INSTRUCTIONS

#### LINE 1 – INVESTMENT INTEREST EXPENSE

Enter the investment interest paid or accrued during the tax year, regardless of when the indebtedness was incurred. Include interest paid or accrued on a loan (or part of a loan) that is allocable to property held for investment.

Be sure to include investment interest expense reported to you on Schedule K-1 from a partnership or an S corporation. Include amortization of bond premium on taxable bonds purchased after October 22, 1986, but before January 1, 1988, unless you elected to offset amortizable bond premium against the interest payments on the bond. A taxable bond is a bond on which the interest is includible in gross income.

- Investment interest expense does not include the following:
  - Home mortgage interest;
  - Any interest expense that is capitalized, such as construction interest subject to Federal Section 263A.

#### LINE 2 – DISALLOWED INVESTMENT INTEREST EXPENSE FROM 2007 FORM 4952A, LINE 5

Include disallowed investment interest expense from 2007 Form 4952A, line 5.

#### LINE 3 – TOTAL INVESTMENT INTEREST EXPENSE

Add lines 1 and 2.

#### LINE 4 – NET INVESTMENT INCOME

See instructions.

#### LINE 5 – DISALLOWED INVESTMENT INTEREST EXPENSE TO BE CARRIED FORWARD TO 2009

Subtract line 4 from line 3. If zero or less, enter 0.

#### LINE 6 – INVESTMENT INTEREST EXPENSE DEDUCTION

Enter the smaller of line 3 or line 4. See instructions.