

## Chart B: SINGLE FILER WITH A SPECIFIED SERVICE TRADE OR BUSINESS

Select your taxable income for the 2018 taxable year

**TAXABLE INCOME: Less than \$157,500**

No limitation on deduction -simplified calculation

See Step 3B in Newsletter

Calculation

The Deduction Equals the Lesser of:

QBI X 20%,

20% of Taxable Income MINUS net capital gain

**TAXABLE INCOME: Between \$157,500 - \$207,500**

Limitation and reduction of deduction

Step 3C in Newsletter for applicable percentage and multiply it to both Steps 4A & 4B; compute Steps 5 through 7

Calculation

Applicable percentage equals 100% minus

Taxable Income Minus \$157,500

Divided by \$50,000

Applicable percentage times lesser of:

Step 4A: QBI X 20%, or

Step 4B: Greater of: 50% of W-2 wages, OR 25% of W-2 Wages plus 2.5% of qualified

Step 4 (if more than one trade or business, add together step 4 for all of them)

Step 5 =

PLUS--If the taxpayer has any qualified REIT dividends or qualified publicly traded partnership income, add 20% of these

Step 6: DEDUCTION = Lesser of:

Step 5

20% of Taxable Income MINUS net capital gain

The deduction appears to only be limited if Step 4A > Step 4B. If Step 4A is < than Step 4B, it appears there is no limitation applied and the calculation stops here.

Step 7A: Amount of the limitation

(Taxable Income Minus \$157,500) DIVIDED by \$50,000

TIMES (Step 4A MINUS Step 4B)

7B = Total Deduction

If Step 4B is less than Step 4A, then Step 4B is disregarded.

Deduction = Step 4A MINUS Step 7A

**TAXABLE INCOME: Greater than \$207,500**

Does not qualify for any deduction

See Step 3D in Newsletter

Calculation

Does not qualify for any deduction.

Calculation of IRC Section 199A Deduction for 2018 for a Single Filer with a Specialized Service Trade or Business

For Chart B

| Taxable Income < Threshold   |              |   |     |        |
|--|--------------|---|-----|--------|
| No Limitation  |              |   |     |        |
| Example 1:   | Single Filer |   |     |        |
| Taxable Income   | =            | 145,000                                 | 20% | 29,000 |
| QBI  | =            | 100,000                                 | 20% | 20,000 |
| W-2 Wages  | =            | 10,000                                  |     | N/A    |
| Deduction  | =            | Lesser of 20% Taxable Income or 20% QBI |     |        |
| Deduction  | =            |   |     | 20,000 |
| Since taxable income is less than the threshold, W-2wage calculation in Step 4B does not apply |              |   |     |        |

| Taxable Income > Upper Limit  |              |         |  |  |
|---|--------------|---------|--|--|
| No Deduction Allowed  |              |         |  |  |
| Example 1:  | Single Filer |         |  |  |
| Taxable Income  | =            | 250,000 |  |  |
| Step 4A: QBI  | =            | 35,000  |  |  |
| Step 4B: W-2 Wages  | =            | 5,000   |  |  |
| Since taxable income is greater than the upper limit, no deduction is allowed |              |         |  |  |

| Taxable Income > Threshold and < Upper Limit |              |         |       |           |
|--|--------------|---------|-------|-----------|
| Applicable Percentage Applies                |              |         |       |           |
| Limitation Applies: Calculate Step 7         |              |         |       |           |
| Example 1:                                   | Single Filer |         |       |           |
| Taxable Income                               | =            | 187,500 |       |           |
| Step 7A: Minus Threshold                     | =            | 157,500 |       |           |
| Step 7A: Equals Excess                       | =            | 30,000  |       |           |
| Step 7A: Divide by                           | =            | 100,000 |       |           |
| Step 7A: Equals ratio                        | =            | 30.0%   |       |           |
| Applicable % =                               | 100% - 30% = | 70%     |       |           |
| Step 4A: QBI                                 | =            | 35,000  | 70.0% | 0.2 4,900 |
| Step 4B: W-2 Wages                           | =            | 5,000   | 70.0% | 0.5 1,750 |
| Step 7A: Step 4A minus 4B                    | =            |         |       | 3,150     |
| Step 7A: Ratio                               | =            |         |       | 30.0%     |
| Step 7A = Amount of Reduction                | =            |         |       | 945       |
| Step 7B: If Step 4B<4A, use 4A               | =            |         |       | 4,900     |
| Step 7B: Minus amount of reduction           | =            |         |       | -945      |
| Total Deduction                              | =            |         |       | 3,955     |

| Taxable Income > Threshold and < Upper Limit |              |         |     |           |
|--|--------------|---------|-----|-----------|
| Applicable Percentage Applies                |              |         |     |           |
| Limitation Applies: Calculate Step 7         |              |         |     |           |
| Example 1:                                   | Single Filer |         |     |           |
| Taxable Income                               | =            | 187,500 |     |           |
| Step 7A: Minus Threshold                     | =            | 157,500 |     |           |
| Step 7A: Equals Excess                       | =            | 30,000  |     |           |
| Step 7A: Divide by                           | =            | 100,000 |     |           |
| Step 7A: Equals ratio                        | =            | 30.0%   |     |           |
| Applicable % =                               | 100% - 30% = | 70%     |     |           |
| Step 4A: QBI                                 | =            | 35,000  | 70% | 0.2 4,900 |
| Step 4B: W-2 Wages                           | =            | 15,000  | 70% | 0.5 5,250 |
| Step 7A: Step 4A minus 4B                    | =            |         |     | (350)     |
| Step 7A: Ratio                               | =            |         |     | 30.0%     |
| Step 7A = Amount of Reduction                | =            |         |     | -105      |
| since 4B>4A, use 4A                          | =            |         |     | 4,900     |
| Step 7B: NO reduction                        | =            |         |     | N/A       |
| Total Deduction                              | =            |         |     | 4,900     |