

Chart D: JOINT FILER WITH A SPECIFIED SERVICE TRADE OR BUSINESS

Select your taxable income for the 2018 taxable year

TAXABLE INCOME: Less than \$315,000

TAXABLE INCOME: Between \$315,000 - \$415,000

TAXABLE INCOME: Greater than \$415,000

No limitation on deduction-
simplified calculation

See Step 3B in Newsletter

Calculation

The
Deduction
Equals the
Lesser of:

QBI X

20% of
Taxable
Income
MINUS
net
capital

Limitation and reduction of deduction

See 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 \$315,000

Divided by \$100,000

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 5 =

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

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 \$315,000) DIVIDED
by \$100,000

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

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 D

| Taxable Income < Threshold <i>No Limitation</i> | | | | |
|---|---|---|-----|--------|
| Example 1 Joint Filer; Service Business | | | | |
| Taxable Income | = | 300,000 | 20% | 60,000 |
| QBI | = | 100,000 | 20% | 20,000 |
| W-2 Wages | = | 5,000 | | N/A |
| Deduction | = | Lesser of 20% Taxable Income or 20% QBI | | |
| Deduction | = | | | 20,000 |
| Since taxable income is less than the threshold, W-2 Wage calculation in Step 4B does not apply | | | | |

| Taxable Income > Upper Limit <i>No Deduction Allowed</i> | | | | |
|---|---|---------|--|--------|
| Example 1 Joint Filer; Service Business | | | | |
| Taxable Income | = | 450,000 | | |
| 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 Joint Filer; Service Business | | | | |
| Taxable Income | | 375,000 | | |
| Step 7A: Minus Threshold | | 315,000 | | |
| Step 7A: Equals Excess | | 60,000 | | |
| Step 7A: Divide by | | 100,000 | | |
| Step 7A: Equals ratio | | 60% | | |
| Applicable % = | 100% - 60% = | 40% | | |
| Step 4A: QBI | QBI | 35,000 | 40% | 0.2 2,800 |
| Step 4B: W-2 Wages | W-2 | 5,000 | 40% | 0.5 1,000 |
| Step 7A: Step 4A minus 4B | | | | 1,800 |
| Step 7A: Ratio | | | | 60% |
| Step 7A = Amount of Reduction | | | | 1080 |
| Step 7B: If Step 4B<4A, use 4A | | | | 2,800 |
| Step 7B: Minus amount of reduction | | | | -1080 |
| Total Deduction | | | | 1,720 |

| Taxable Income > Threshold and < Upper Limit Applicable Percentage Applies Limitation Applies: Calculate Step 7 | | | | |
|---|--------------|---------|-----|-----------|
| Example 1 Joint Filer; Service Business | | | | |
| Taxable Income | | 375,000 | | |
| Step 7A: Minus Threshold | | 315,000 | | |
| Step 7A: Equals Excess | | 60,000 | | |
| Step 7A: Divide by | | 100,000 | | |
| Step 7A: Equals ratio | | 60% | | |
| Applicable % = | 100% - 60% = | 40% | | |
| Step 4A: QBI | | 35,000 | 40% | 0.2 2,800 |
| Step 4B: W-2 Wages | | 15,000 | 40% | 0.5 3,000 |
| Step 7A: Step 4A minus 4B | | | | (200) |
| Step 7A: Ratio | | | | 60% |
| Step 7A = Amount of Reduction | | | | -120 |
| Step 7B: If Step 4A<4A, use 4A | | | | 2,800 |
| Step 7B: Minus amount of reduction | | | | 0 |
| Total Deduction | | | | 2,800 |