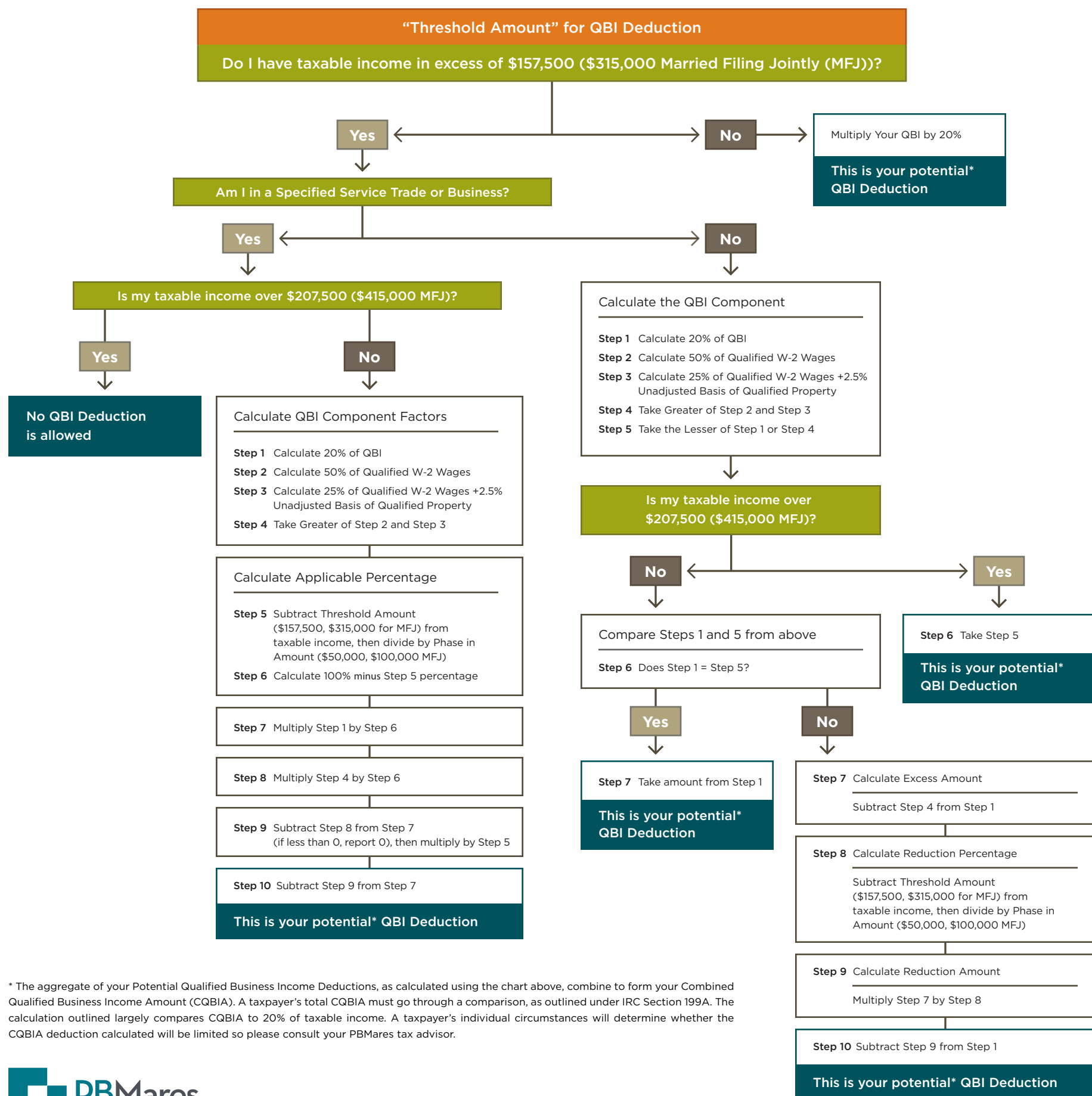


Flowchart for Deduction for Qualified Business Income (QBI)

FOR TAX YEARS BEGINNING AFTER DECEMBER 31, 2017 and BEFORE JANUARY 1, 2026

Section 199A Qualified Business Income Deduction for domestic businesses operated as sole proprietorships, partnerships, S corporations, trusts, or estates.

- ▶ If QBI in one or more trade(s) or business(es) is negative for the year, netting must occur first.
- ▶ If a taxpayer elects to aggregate any trade(s) or business(es), QBI, W-2 Wages, and UBIA of qualified property must be combined before applying any limitations or using this chart.



* The aggregate of your Potential Qualified Business Income Deductions, as calculated using the chart above, combine to form your Combined Qualified Business Income Amount (CQBIA). A taxpayer's total CQBIA must go through a comparison, as outlined under IRC Section 199A. The calculation outlined largely compares CQBIA to 20% of taxable income. A taxpayer's individual circumstances will determine whether the CQBIA deduction calculated will be limited so please consult your PBMares tax advisor.

Flowchart for Deduction for Qualified Business Income (QBI)

Definitions for Qualified Business Income Deduction

Specified Service Trade or Business

Any trade or business described in Sec 1202(e)(3)(A) applied without regard to “engineering” or “architecture.” This includes trades or business involving the performance of services in the fields of health, law, accounting, actuarial science, performing arts, consulting, athletics, financial service, brokerage services, or any trade or business where the principal asset of such trade or business is the reputation or skill of 1 or more of its employees or owners, or which involves the performance of services that consist of investing and investing management trading, or dealing in securities, partnership interest, or commodities.

Qualified Business Income

The net amount of qualified items of income, gain, deduction, and loss with respect to the qualified trade or business of the taxpayer to the extent they are included or allowed in the determination of taxable income for the year. Only

- Items are only qualified items of income, gain, deduction and loss to the extent they are effectively connected with the conduct of a trade or business within the United States
- Qualified items do not include specified investment-related income, deductions, or loss (specifically long term capital gain/loss items, dividends, interest income other than that properly allocable to a trade or business, etc.)
- Qualified business income does not include any amount paid by an S corporation that is treated as reasonable compensation of the taxpayer. Similarly, qualified business income does not include any guaranteed payment for services rendered with respect to the trade or business, and to the extent provided in regulations, does not include any amount paid or incurred by a partnership to a partner who is acting other than in his or her capacity as a partner for services.
- **This must be determined for each qualified trade or business of the taxpayer. Amounts cannot be aggregated**

Qualified W-2 Wages

The total wages subject to wage withholding, elective deferrals, and deferred compensation paid by the qualified trade or business with respect to employment of its employees during the calendar year ending during the taxable year of the taxpayer. W-2 wages do not include any amount which is not properly allocable to the qualified business income as a qualified item of deduction. In addition, W-2 wages do not include any amount which was not properly included in a return filed with the Social Security Administration on or before the 60th day after the due date (including extensions) for such return.

Unadjusted Basis of Qualified Property

Qualified property is tangible property of a character subject to depreciation that is held by, and available for use in, the qualified trade or business at the close of the taxable year, and which is used in the production of qualified business income, and for which the depreciable period has not ended before the close of the taxable year.

The depreciable period means the period beginning on the date the property is first placed in service by the taxpayer and ending on the later of (a) the date ten years after that day, or (b) the last full year in the applicable recovery period that would apply to the property under Section 168 (without regard to Section 168(g)).

Sources: [Tax Cuts and Jobs Act of 2017](#) and [Tax Cuts and Jobs Act Conference Report](#)

