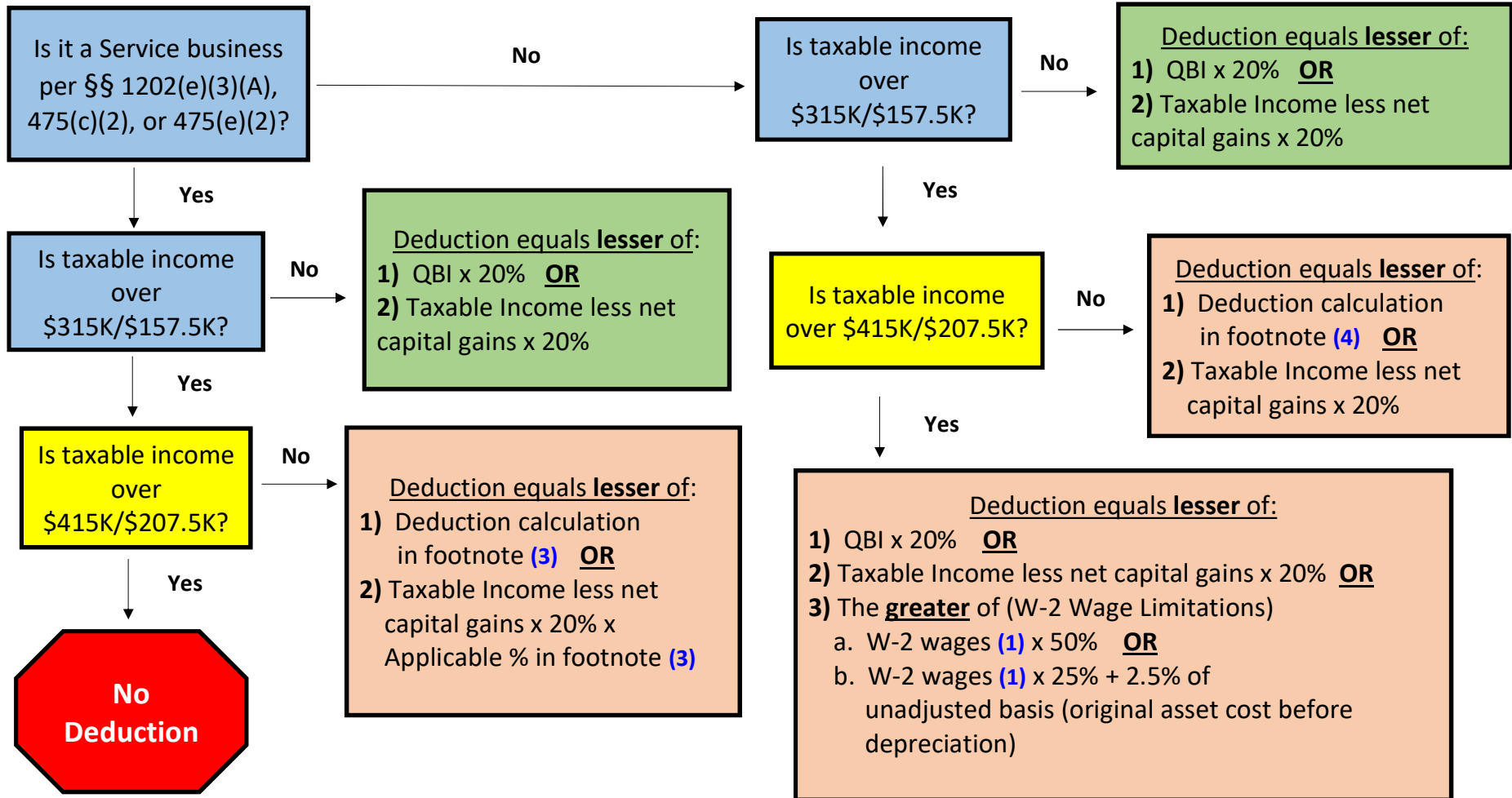


Application of Section 199A - 20% Business Deduction



(1) W-2 Wages = Employee wages subject to withholding (including owner), elective deferrals, and deferred compensation paid by the qualified trade or business entity.

(2) Deduction = Lesser of: **1) QBI x 20% OR 2) Taxable Income less net capital gains x 20%**

(3) Deduction = Same calculation as **(4)** below but multiply **Applicable %** by both the W-2 limitation*** (if applies) **AND** all (QBI * 20%) references in the formula. If the W-2 Limitation is greater than QBI * 20%, the deduction calculation is simply **Applicable %** x QBI * 20% **(2)**. (i.e. Formula in **RED** is N/A).

Applicable % = $100\% - [\text{Taxable Income} - \$315\text{K MFJ } (\$157.5\text{K all others}) / \$100,000 \text{ MFJ } (\$50\text{K all others})]$

(4) Deduction = $QBI * 20\% - [\text{Taxable Income} - \$315\text{K MFJ } (\$157.5\text{K all others}) \times [(QBI * 20\%) - W-2 \text{ Wage Limitation}^{***}]]$
 $[\text{Taxable Income} - \$315\text{K MFJ } (\$157.5\text{K all others}) \times [(QBI * 20\%) - W-2 \text{ Wage Limitation}^{***}]]$

***Note: If W-2 Wage Limitation ("3a" or "3b" in above orange square) > QBI * 20%, deduction calculation is simply QBI * 20% **(2)** (Formula in **RED** is N/A).

Application of Section 199A - 20% Business Deduction

(3) Example: Single T/P has taxable income of \$167,500, QBI of \$120,000 (*service*) and entity W-2 Wages of \$40,000. The "Red Formula" will apply since $QBI * 20\%$ is greater than the W-2 limitation ($\$120,000 * 20\% = \$24,000 > \$40,000 * 50\% = \$20,000$). The Applicable % is calculated as $100\% - [10,000/50,000] = 80\%$. Therefore, the deduction calculation is: $(120K \text{ QBI} * 20\% * 80\%) - [((167.5K - 157.5K) / 50K) * ((120K * 20\% * 80\%) - (40K * 50\% * 80\%))] = \$18,560$ QBI deduction (full deduction was reduced by \$5,440). **Note:** If wages were \$50,000, the deduction would just be $QBI * 20\%$ (2) x **Applicable %** ($\$120,000 * 20\% * 80\% = \$19,200$) since the W-2 limitation is higher than $QBI * 20\%$ ($\$50,000 * 50\% = \$25,000 > \$24,000$).

(4) Example: Single T/P has taxable income of \$167,500, QBI of \$120,000 (*non service*) and entity W-2 Wages of \$40,000. The "Red Formula" will apply since $QBI * 20\%$ is greater than the W-2 limitation ($\$120,000 * 20\% = \$24,000 > \$40,000 * 50\% = \$20,000$). Therefore, the deduction calculation is: $(\$120K * 20\%) - [((167.5K - 157.5K) / 50K) * ((120K * 20\%) - (40K * 50\%))] = \$23,200$ QBI deduction (full deduction was reduced by \$800). **Note:** If wages were \$50,000, the deduction would be $QBI * 20\%$ (2) ($\$120,000 * 20\% = \$24,000$) since the W-2 limitation is higher than $QBI * 20\%$ ($\$50,000 * 50\% = \$25,000 > \$24,000$).