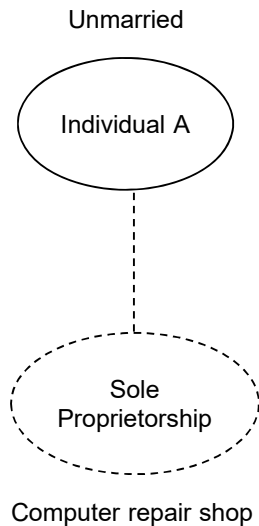


**Prop'd Reg. 1.199A-1(c)(3),  
Example 2**

**QBI Ded'n, Below Threshold:  
TI Limit (With CG)**

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Business net taxable income (QBI)	100,000
Net capital gains	7,000
Deductions not related to the business	(33,000)
Taxable income (before 199A ded'n)	74,000
Taxable income over net capital gains	67,000
Sec. 199A deduction	13,400

Sec. 199A(a)(1)(A), (b)  
(CQBIA Limit = 20% x 100,000 = **20,000**)

If below the threshold, the  
CQBIA Limit equals 20% of  
QBI, plus 20% of REIT & PTP

(TI Limit = 20% x 67,000 = **13,400**)  
Sec. 199A(a)(1)(B),

(Lesser of CQBIA Limit or TI Limit  
(i.e., lesser of red numbers)

Sec. 199A(a)(1)(A) and (B),

A, an unmarried individual, owns and operates a computer repair shop as a sole proprietorship. The business generated \$100,000 in net taxable income from operations in 2018. A also has \$7,000 in net capital gain for 2018. After allowable deductions not relating to the business, A's total taxable income for 2018 is \$74,000. A's taxable income minus net capital gain is \$67,000 (\$74,000 - \$7,000). A's section 199A deduction is equal to \$13,400, the lesser of 20% of A's QBI from the business (\$100,000 x 20% = \$20,000) and 20% of A's total taxable income minus net capital gain for the taxable year (\$67,000 x 20% = \$13,400).