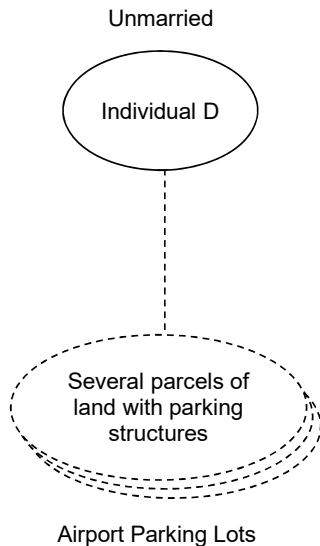


**Prop'd Reg. 1.199A-1(d)(4),
Example 2**

**QBI Ded'n, Above Threshold:
Zero Wages and 10M UBIA**

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	<u>Year 2020</u>	
Business net taxable income (QBI)	4,000,000	(20% of QBI = 800,000) <small>Sec. 199A(b)(2)(A),</small>
W-2 wages	0	(50% of 0 = 0, 25% of 0 = 0)
UBIA of qualified property	10,000,000	(2.5% of 10,000,000 = 250,000) <small>Sec. 199A(b)(2)(B),</small> (Wages Plus = 250,000)
Net capital gains	0	<small>Wages Plus equals greater of (i) 50% of wages or (ii) 25% of wages + 2.5% of UBIA of qualified property</small>
Deductions not related to the business	(20,000)	<small>Sec. 199A(a)(1)(A), (b)</small> (QBI Component of CQBIA Limit = 250,000)
Taxable income (before 199A ded'n)	3,980,000	<small>CQBIA limit equals lesser of 20% of QBI or Wages Plus, plus 20% of REIT & PTP (i.e., lesser of purple numbers)</small>
Threshold amount	157,500	
Taxable income over net capital gains	3,980,000	(TI Limit = 20% x 3,980,000 = 796,000) <small>Sec. 199A(a)(1)(B),</small>
Sec. 199A deduction	250,000	<small>(Lesser of CQBIA Limit or TI Limit (i.e., lesser of red numbers) Sec. 199A(a)(1)(A) and (B),</small>

D, an unmarried individual, owns several parcels of land. D developed the land parcels in 2019, expending a total of \$10,000,000 to build parking structures on each of the parcels, all of which is depreciable. During 2020, D leased the parking structures and the land to suburban airports. D reports \$4,000,000 of QBI for 2020. After allowable deductions unrelated to the business, D's total taxable income for 2020 is \$3,980,000. Because D's taxable income is above the threshold amount, the QBI component of D's section 199A deduction is subject to the W-2 wage and UBIA of qualified property limitations. Because the business has no W-2 wages, the QBI component of D's section 199A deduction will be limited to the lesser of 20% of the business's QBI or 2.5% of its UBIA of qualified property. Twenty percent of the \$4,000,000 of QBI is \$800,000. Two and one-half percent of the \$10,000,000 UBIA of qualified property is \$250,000. The QBI component of D's section 199A deduction is thus limited to \$250,000. D's section 199A deduction is equal to the lesser of (i) 20% of the QBI from the business as limited (\$250,000) or (ii) 20% of D's taxable income (\$3,980,000 x 20% = \$796,000). Therefore, D's section 199A deduction for 2020 is \$250,000.