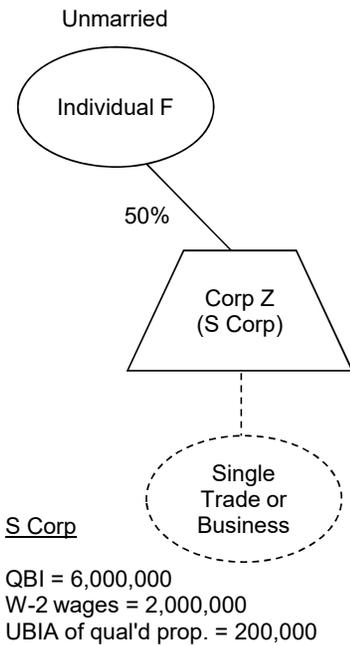


**Prop'd Reg. 1.199A-1(d)(4),
Example 4**

**QBI Ded'n, Above Threshold:
50% Shareholder in S Corp**

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F's portion of QBI from Z	3,000,000	(20% of QBI = 600,000)	Sec. 199A(b)(2)(A),
F's portion of W-2 wages	1,000,000	(50% = 500,000, 25% = 250,000)	
F's portion of UBIA of q. prop.	100,000	(2.5% of 100,000 = 2,500)	Sec. 199A(b)(2)(B),
		(Wages Plus = 500,000)	
Qualified net loss from a PTP	(10,000)	Wages Plus equals greater of (i) 50% of wages or (ii) 25% of wages + 2.5% of UBIA of qualified property	
Net capital gains	0	(QBI Component of CQBIA Limit = 500,000)	Sec. 199A(a)(1)(A), (b)
Deductions not related to the business	(1,110,000)	CQBIA limit equals lesser of 20% of QBI or Wages Plus, plus 20% of REIT & PTP (i.e., lesser of purple numbers)	
Taxable income (before 199A ded'n)	1,880,000		
Threshold amount	157,500		
Taxable income over net capital gains	1,880,000	(TI Limit = 20% x 1,880,000 = 376,000)	Sec. 199A(a)(1)(B),
Sec. 199A deduction	376,000	(Lesser of CQBIA Limit or TI Limit (i.e., lesser of red numbers))	Sec. 199A(a)(1)(A) and (B),

F, an unmarried individual, owns a 50% interest in Z, an S corporation for Federal income tax purposes that conducts a single trade or business. In 2018, Z reported QBI of \$6,000,000. Z paid total W-2 wages of \$2,000,000, and its total UBIA of qualified property is \$200,000. For the 2018 taxable year, F reports \$3,000,000 of QBI from Z. F is not an employee of Z and receives no wages or reasonable compensation from Z. After allowable deductions unrelated to Z and a deductible qualified net loss from a PTP of (\$10,000), F's taxable income is \$1,880,000. Because F's taxable income is above the threshold amount, the QBI component of F's section 199A deduction will be limited to the lesser of (i) 20% of F's share of Z's QBI or (ii) the greater of the W-2 wage and UBIA of qualified property limitations. Twenty percent of F's share of QBI of \$3,000,000 is \$600,000. The W-2 wage limitation equals 50% of F's share of Z's W-2 wages (\$1,000,000) or \$500,000. The UBIA of qualified property limitation equals \$252,500, the sum of (i) 25% of F's share of Z's W-2 wages (\$1,000,000) or \$250,000 plus (ii) 2.5% of E's share of UBIA of qualified property (\$100,000) or \$2,500. The greater of the limitation amounts (\$500,000 and \$252,500) is \$500,000. The QBI component of F's section 199A deduction is thus limited to \$500,000, the lesser of (i) 20% of QBI (\$600,000) and (ii) the greater of the limitations amounts (\$500,000). F reported a qualified loss from a PTP and has no qualified REIT dividend. F does not net the (\$10,000) loss against QBI. Instead, the portion of F's section 199A deduction related to qualified REIT dividends and qualified PTP income is zero for 2018. F's section 199A deduction is equal to the lesser of (i) 20% of the QBI from the business as limited (\$500,000) or (ii) 20% of F's taxable income over net capital gain (\$1,880,000 x 20% = \$376,000). Therefore, F's section 199A deduction is \$376,000 for 2018. F must also carry forward the \$(10,000) qualified loss from a PTP to be netted against F's qualified REIT dividends and qualified PTP income in the succeeding taxable year.