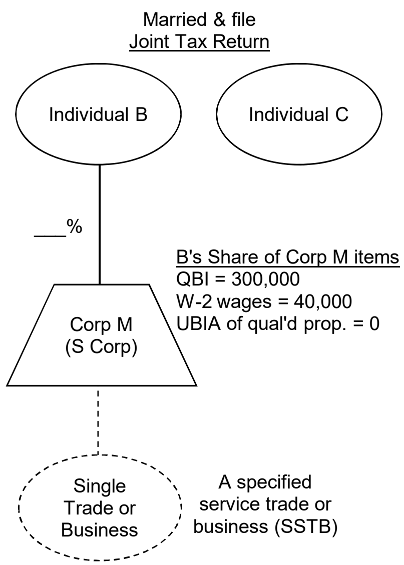
Prop'd Reg. 1.199A-1(d)(4), Example 6

QBI Ded'n, Phase-in Range: SSTB & 20% of QBI > Wages Plus



B's portion of QBI from M		300,000	(40% x 300,000 of QBI = 120,000 (alloc'd QBI), 20% of alloc'd QBI = 24,000)
B's portion of W-2 wages	40,000		(40% x 40,000 = 16,000 (alloc'd wages), 50% = 8,000, 25% = 4,000)
B's portion of UBIA of q. prop.	0		(2.5% of 0 = 0)
Net capital gains		0	
C's wages less deductions not related M		75,000	
Taxable income (before 199A ded'n)		375,000	
Threshold amount		315,000	
Amount in excess of threshold		60,000	(60,000 / 100,000 = 60% thru phase-in range) (applic. percentage = 100% - 60% = 40%)
Taxable income over net capital gains		375,000	(TI Limit = 20% x 375,000 = 75,000) Sec. 199A(a)(1)(B),
Sec. 199A deduction		14,400	

Diff. = "Excess Amount" = 16,000

(Wages Plus = 8,000) Sec. 199A(b)(3)(iii)

Wages Plus equals greater of (i) 50% of wages or (ii) 25% of wages + 2.5% of UBIA of qualified property

(QBI Component of CQBIA Limit = 14,400) Sec. 199A (a)(1)(A), (b)

The QBI Component of CQBIA limit is 20% of QBI (24,000) - (60% of the excess amount (16,000)). Sec. 199A(b)(3).

(Lesser of CQBIA Limit or TI Limit (i.e., lesser of red numbers)) Sec. 199A(a)(1)(A) and (B),

B and C are married and file a joint individual income tax return. B is a shareholder in M, an entity taxed as an S corporation for Federal income tax purposes that conducts a single trade or business. M holds no qualified property. B's share of the M's QBI is $300,000 in 2018. B's share of the W-2 wages from M in 2018 is $40,000. C earns wage income from employment by an unrelated company. After allowable deductions unrelated to M, B and C's taxable income for 2018 is $375,000. B and C are within the phase-in range because their taxable income exceeds the applicable threshold amount, $315,000, but does not exceed the threshold amount plus $100,000, or $415,000. Consequently, the QBI component of B and C's section 199A deduction may be limited by the W-2 wage and UBIA of qualified property limitations but the limitations will be phased in.

M was engaged in an SSTB. Because B and C are within the phase-in range, B must reduce the QBI and W-2 wages allocable to B from M to the applicable percentage of those items. B and C's applicable percentage is 100% reduced by the percentage equal to the ratio that their taxable income for the taxable year ($375,000) exceeds their threshold amount ($315,000), or $60,000, bears to $100,000. Their applicable percentage is 40%. The applicable percentage of B's QBI is ($300,000 x 40%) $120,000, and the applicable percentage of B's share of W-2 wages is ($40,000 x 40%) $16,000. These reduced numbers must then be used to determine how B's section 199A deduction is limited.

The UBIA of qualified property limitation amount is zero because M does not hold qualified property. B and C must apply the W-2 wage limitation by first determining 20% of B's share of M's QBI as limited above. Twenty percent of B's share of M's QBI of $120,000 is $24,000. Next, B and C must determine 50% of B's share of M's W-2 wages. Fifty percent of B's share of M's W-2 wages of $16,000 is $8,000. Because 50% of B's share of M's W-2 wages ($8,000) is less than 20% of B's share of M's QBI ($24,000), B and C's must determine the QBI component of their section 199A deduction by reducing 20% of B's share of M's QBI by the reduction amount.

B and C are 60% through the phase-in range (that is, their taxable income exceeds the threshold amount by $60,000 and their phase-in range is $100,000). B and C must determine the excess amount, which is the excess of 20% of B's share of M's QBI as adjusted, or $24,000, over 50% of B's share of M's W-2 wages, as adjusted, or $8,000. Thus, the excess amount is $16,000. The reduction amount is equal to 60% of the excess amount or $9,600. Thus, the QBI component of B and C's section 199A deduction is equal to $14,400, 20% of B's share M's QBI of $24,000, reduced by $9,600. B and C's section 199A deduction is equal to the lesser of (i) 20% of the QBI from the business as limited ($14,400) or 20% of B's and C's taxable income ($375,000 x 20% = $75,000). Therefore, B and C's section 199A deduction is $14,400 for 2018.