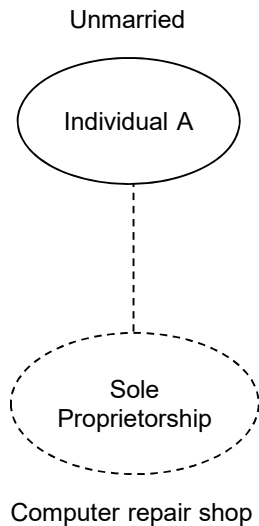


Reg. 1.199A-1(c)(3), Example 1

**QBI Ded'n, Below Threshold:
TI Limit (No CG)**

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Business net taxable income (QBI)	100,000
Net capital gains	0
Deductions not related to the business	(19,000)
Taxable inc. (before 199A ded'n)	81,000
Taxable income over net capital gains	81,000
Sec. 199A deduction	16,200

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 81,000 = **16,200**)

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 has no capital gains or losses. After allowable deductions not relating to the business, A's total taxable income for 2018 is \$81,000. The business's QBI is \$100,000, the net amount of its qualified items of income, gain, deduction, and loss. A's section 199A deduction for 2018 is equal to \$16,200, 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 for the taxable year (\$81,000 x 20% = \$16,200).