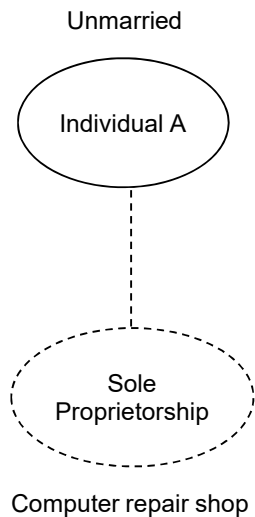


Reg. 1.199A-1(c)(3), Example 2

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

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Business net taxable income (QBI)	100,000	Sec. 199A(a)(1)(A), (b) (CQBIA Limit = 20% x 100,000 = 20,000)
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	(TI Limit = 20% x 67,000 = 13,400)
Sec. 199A deduction	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).

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