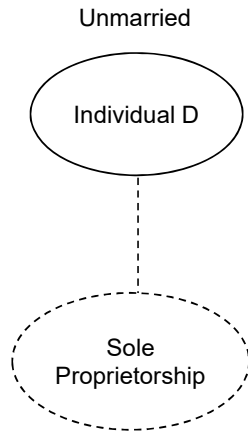


Reg. 1.199A-1(d)(4), Example 1

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

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Business net taxable income (QBI)	1,000,000	(20% of QBI = 200,000) Sec. 199A(b)(2)(A),
W-2 wages	0	(50% of 0 = 0, 25% of 0 = 0)
UBIA of qualified property	0	(2.5% of 0 = 0) Sec. 199A(b)(2)(B),
		"(Wages Plus" = 0)
		"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	Sec. 199A(a)(1)(A), (b) (QBI Component of CQBIA Limit = 0)
Deductions not related to the business	(20,000)	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)	980,000	
Threshold amount	157,500	
Taxable income over net capital gains	980,000	(TI Limit = 20% x 980,000 = 196,000) Sec. 199A(a)(1)(B),
Sec. 199A deduction	0	
		(Lesser of CQBIA Limit or TI Limit (i.e., lesser of red numbers) Sec. 199A(a)(1)(A) and (B),

D, an unmarried individual operates a business as a sole proprietorship. The business generates \$1,000,000 of QBI in 2018. The business paid no wages and holds no qualified property for use in the business. After allowable deductions unrelated to the business, D's total taxable income for 2018 is \$980,000. Because D's taxable income exceeds the applicable threshold amount, D's section 199A deduction is subject to the W-2 wage and UBIA of qualified property limitations. D's section 199A deduction is limited to zero because the business paid no wages and held no qualified property.