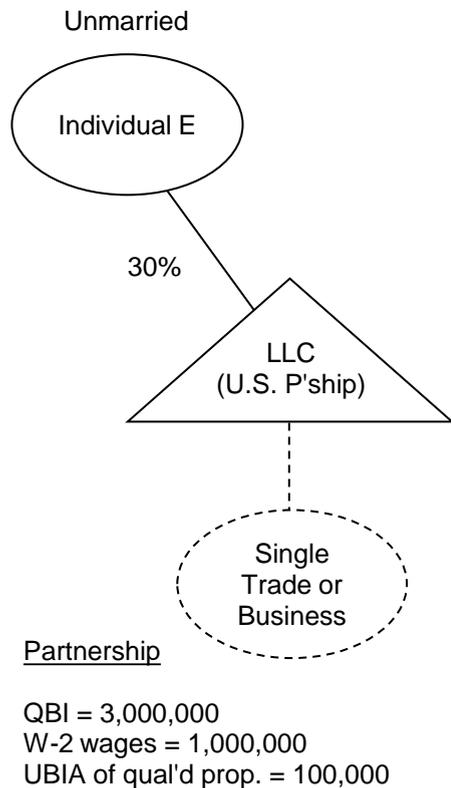


Reg. 1.199A-1(d)(4), Example 3

**QBI Ded'n, Above Threshold:
30% Partner in P'ship**

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E's portion of QBI from LLC	900,000	(20% of QBI = 180,000)	Sec. 199A(b)(2)(A),
E's portion of W-2 wages	300,000	(50% = 150,000, 25% = 75,000)	
E's portion of UBIA of q. prop.	30,000	(2.5% of 30,000 = 750)	Sec. 199A(b)(2)(B),
		("Wages Plus" = 150,000)	
		"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		
Deductions not related to the business	(20,000)		Sec. 199A(a)(1)(A), (b)
Taxable income (before 199A ded'n)	880,000		(QBI Component of CQBIA Limit = 150,000)
		CQBIA limit equals lesser of 20% of QBI or Wages Plus, plus 20% of REIT & PTP (i.e., lesser of purple numbers)	
Threshold amount	157,500		
Taxable income over net capital gains	880,000	(TI Limit = 20% x 880,000 = 176,000)	Sec. 199A(a)(1)(B),
Sec. 199A deduction	150,000		
		(Lesser of CQBIA Limit or TI Limit (i.e., lesser of red numbers))	
			Sec. 199A(a)(1)(A) and (B),

E, an unmarried individual, is a 30% owner of LLC, which is classified as a partnership for Federal income tax purposes. In 2018, the LLC has a single trade or business and reported QBI of \$3,000,000. The LLC paid total W-2 wages of \$1,000,000, and its total UBIA of qualified property is \$100,000. E is allocated 30% of all items of the partnership. For the 2018 taxable year, E reports \$900,000 of QBI from the LLC. After allowable deductions unrelated to LLC, E's taxable income is \$880,000. Because E's taxable income is above the threshold amount, the QBI component of E's section 199A deduction will be limited to the lesser of (i) 20% of E's share of LLC's QBI or (ii) the greater of the W-2 wage or UBIA of qualified property limitations. Twenty percent of E's share of QBI of \$900,000 is \$180,000. The W-2 wage limitation equals 50% of E's share of the LLC's wages (\$300,000) or \$150,000. The UBIA of qualified property limitation equals \$75,750, the sum of (i) 25% of E's share of LLC's wages (\$300,000) or \$75,000 plus (ii) 2.5% of E's share of UBIA of qualified property (\$30,000) or \$750. The greater of the limitation amounts (\$150,000 and \$75,750) is \$150,000. The QBI component of E's section 199A deduction is thus limited to \$150,000, the lesser of (i) 20% of QBI (\$180,000) and (ii) the greater of the limitations amounts (\$150,000). E's section 199A deduction is equal to the lesser of (i) 20% of the QBI from the business as limited (\$150,000) or (ii) 20% of E's taxable income (\$880,000 x 20% = \$176,000). Therefore, E's section 199A deduction is \$150,000 for 2018.