

IRC §199A – QUALIFIED BUSINESS INCOME

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Basic Rule

	Non-Service	SSTB
Taxable income less than \$315,000 (MFJ)	20% deduction	20% deduction
Taxable income greater than \$315,000 but less than \$415,000	Limitation phased in	Deduction phased-out
Taxable income greater than \$415,000	Wage and property	No deduction

Timeline

- 12/22/17 - Tax Cuts and Jobs Act (“TCJA”) signed
- 01/01/18 - Effective Date of TCJA
- 02/01/18 - 1st Meeting, preliminary discussion
- 02/21/18 - 2nd Meeting, examples and issues
- 08/08/18 - Treas. Dept. issued proposed regulations
- 10/27/18 - Follow up Meeting re 02/21/18 calculation
- 12/31/25 - §199A Sunsets

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Compensation History

- 2016 - \$1,800,000
- 2015 and 2014 - \$2,300,000
- 2013 - \$1,900,000
- 2012 - \$1,800,000
- 2011 - \$1,500,000
- 2010 - \$1,100,000

PROJECTED 2018 QUALIFIED BUSINESS INCOME BASED ON 2016-1120s			
1.	2016 "S" INCOME		\$1,680,000
2.	2016 COMPENSATION	\$1,800,000	
	2018 REASONABLE COMPENSATION	<u>(\$520,000)</u>	
	PROJECTED INCREASE IN "S" INCOME		<u>\$1,280,000</u>
		TOTAL	<u>\$2,960,000</u>
(a)	20% OF \$2,960,000		\$592,000
(b)	50% OF WAGES (\$3,500,000 * 50%)		<u>\$1,750,000</u>
(c)	25% OF WAGES (\$3,500,000 * 25%)		\$875,000
	UNADJUSTED BASIS OF ASSETS AS OF 12/31/2016		
	2.5% * \$14,750,000		<u>\$368,750</u>
		TOTAL	<u>\$1,243,750</u>
THE DEDUCTION IS THE LESSER OF (a) OR THE GREATER OF (b) or (c). THUS, THE DEDUCTION WOULD BE \$592.00 AND THE INCOME TAX SAVING EQUALS \$219, 040.			

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