Example Used:	IRS 245-1b *
Tax Year:	2018
Taxpayer's Filing Status:	Single
Taxpayer's Other Income:	$281,000
Modifications to Income	
Taxpayer's Net Capital Gains:	$0
Taxpayer's Qualified Dividends:	$0
Taxpayer's Standard or Itemized Deductions:	$0
Taxpayer's Qualified REIT Dividends:	$0
Taxpayer's Qualified Publicly Traded Partnership Income:	$0
Aggregate Businesses under Prop. Treasury Reg 1.199A-4?	Yes

Relevant Passthrough	Is SSTB	Allow Aggregate	RPE Taxable Income	Capital Losses	Capital Gains	QBI (before RPE Losses)	W-2 Wages	Unadjusted Basis(UBIA)
Entity 1	No	Yes	-$23,500	$0	$0	-$23,500	$37,500	$62,500
Entity 2	No	Yes	$0	$0	$0	$0	$2,500	$25,000
Entity 3	No	Yes	$100,000	$0	$0	$100,000	$0	$0
						$76,500		

Combined QBI:	$76,500
Combined QBI x 20% (B):	$15,300
Modified Taxable Income (Taxpayer):	$357,500
Modified Taxable Income (Taxpayer) x 20% (T):	$71,500
§199A Deduction (lesser of B or T):	$15,300
Modified Taxable Income (Taxpayer):	$357,500
Add Back: Capital Gain, Qualified Divis.:	$0
§199A Deduction (lesser of B or T):	-$15,300
Taxable Income (Taxpayer):	$342,200
Tax:	$95,460

* IRS 245-1b - Trust Beneficiary A. A QBI Loss ($47K) x 50% => ($23.5K) + $100K separate QBI => Aggregated QBI $76.5K x 20% vs. Aggregated Wages $40K x 50% => $15.3K vs. Taxable (No Zone) $357.5K x 20% => Deduction $15.3K.

No relevant Passthrough Entities of type SSTB have been entered. More than 2 non-SSTBs are entered, with aggregation.

Relevant Passthrough Worksheet - Aggregated for non-SSTB

			Entity 1	Entity 2	Entity 3	Aggregate
RPE Taxable Income:			-$23,500	$0	$100,000	
plus Capital Losses:			$0	$0	$0	
less Cap Gains,Divs,Int,Other::			$0	$0	$0	
QBI (Before Other RPE Losses):			-$23,500	$0	$100,000	$76,500
Share of Other RPE Losses:			**$0**	**$0**	**-$23,500**	
Adjusted Qualified Business Income (QBI):			$0	$0	$76,500	$76,500
	x 20%	(B)	$0	$0	$0	$15,300
W-2 Wages Paid by RPE:			$37,500	$2,500	$0	$40,000
	x 50%	(C)	$0	$0	$0	$20,000
W-2 Wages Paid by RPE:			$37,500	$2,500	$0	$40,000
	x 25%	(D)	$0	$0	$0	$10,000
Unadjusted Basis (UIBIA):			$62,500	$25,000	$0	$87,500
	x 25%	(E)	$0	$0	$0	$2,188
Sum of (D) + (E)		(F)	$0	$0	$0	$12,188
Greater of (C) or (F)		(G)	$0	$0	$0	$20,000
Lesser of (B) or (G): Wage-Capital Test		(WC)	$0	$0	$0	$15,300
Excess Amount (B) less (WC)		(H)	$0	$0	$0	$0
Zone 2 Allowed %:		(J)	0%	0%	0%	0%
Zone 2 Applicable $ (H) x (J):		(K)	$0	$0	$0	$0
Wage-Capital Base		(WC)	$0	$0	$0	$15,300
Tentative QBI Deduction: Pass #1 (K) + (WC):		(L)	$0	$0	$0	$15,300
SSTB Applicable % (100% if non-SSTB):		(M)	0%	0%	0%	100%
Tentative QBI Deduction: Pass #2 (L) x (M):		(N)	$0	$0	$0	$15,300

§199A Deduction when More than One Relevant Passthrough Entities Owned

Relevant Passthrough Entity (RPE)
A Relevant Passthrough Entity (RPE) can be any of the following:

1) S Corporation
2) Partnership
3) Schedule C business
4) Schedule E business/activity
5) Schedule F farm
6) Estate or Trust (treated as an "Individual" for threshold purposes)
7) LLC (single-member or one that does not elect to be taxed as a corporation)

C Corporations Not Eligible
§199A specifically makes income from a C Corporation ineligible for a passthrough deduction. First of all, it is not a "passthrough" entity because it is taxed at the corporate level. Second of all, it already got a huge tax break when the marginal corporate rate of 35% was reduced to a flat rate of 21%.

Trades or Businesses
A single Relevant Passthrough Entitity (RPE) might be engaged in one or more trades or businesses. Each such trade or business is considered a separate trade or business for purposes of applying the wage and capital limitations.

Also, a single trade or business might be conducted across multiple RPEs. In this case as well, it might be beneficial to break this trade or business into multiple trades or businesses, then aggregate them as appropriate.

This module allows you to enter as many as 20 trades or businesses (whether it's one RPE with 20 trades or businesses, 20 RPEs engaged in one trade or business, or some combination of the two).

Thus, you could have many combinations of RPEs and trades or businesses.

Aggregation
Aggregation involves the combining of the following elements for any given entity:

1) QBI (including any combination of positive and negative QBIs)
2) W-2 Wages
3) UBIA
4) REIT Income
5) PTP Income

Aggregation is done before applying the wage and capital tests. Aggregated trades or businesses are treated as a single trade or business for purposes of applying these tests.

Negative QBI

If a trade or business generates a negative QBI, then this negative QBI must be netted across trades or businesses with positive QBI in a pro-rata manner. This netting is done for all negative QBI across all positive QBI, before and independently of aggregation. This netting is fully automatic, and does not depend on when you activate or deactivate aggregation for any given trade or business.

For any trade or business with negative QBI (any SSTB, or any non-aggregated non-SSTB), this negative QBI is netted against the positive QBI for the other trades or businesses. Furthermore, the W-2 and UBIA (wage and capital) items are disregarded for all purposes and are never used, not even in a future year.

If the sum of all trade or business QBI is negative, then the QBI component (i.e., the non-REIT, non-PTP) is zero for the taxable year. This negative amount is treated as negative QBI from a separate trade or business in the succeeding taxable years of the individual for purposes of § 199A.

Negative QBI for an SSTB

An SSTB with negative QBI presents a special case. If the Taxpayer's Modified Taxable Income is in Zone #2, then you must apply the applicable percentage (percent of Zone #2 not consumed by Taxpayer's Modified Taxable Income) against the SSTB's negative QBI. Then allocated that reduced negative QBI against the positive QBI of the other RPEs.

Combined REIT/PTP

When a Taxpayer has a combination of positive and negative REIT dividends and PTP income, all such income is combined.

Combined Qualified Business Income Amount (Combined QBI x 20%)

If the REIT/PTP combination is positive, it is multiplied by 20% and added to the sum of all modified trade or business income (x 20%) to generate the Combined Qualified Business Income Amount.

Negative Combined REIT/PTP

If the combination is negative, it is treated as zero for the current year, and carried forward to the next year to be netted against that year's combined REIT/PTP income.

Articles by Tony Nitti (Forbes)

The following brilliant articles by Tony Nitti (CPA, LLM in Taxation) are highly recommended:

https://www.forbes.com/sites/anthonynitti/2017/12/26/tax-geek-tuesday-making-sense-of-the-new-20-qualified-business-income-deduction/

https://www.forbes.com/sites/anthonynitti/2019/01/19/irs-publishes-final-guidance-on-the-20-pass-through-deduction-putting-it-all-together