



National Life
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Section 199A and Your Business

Pass-through Business Owners – Will You Benefit From the Code Section 199A 20% Personal Income Tax Deduction?



The good news – Code § 199A may help to reduce the taxable income for the owners of pass-through business entities.

As the owner of a pass-through business entity (such as Sole Proprietorships, Partnerships, S Corporations, and LLCs taxed as either Partnerships or S Corporations) Section 199A may allow you to deduct as much as 20% of the business' qualified business income (QBI) from your personal income.



The bad news – this is a fairly complex Code section and there is a vast difference in the promise of the section (reduced taxable income) versus the reality of the section (little or no impact for many business owners).

The flow chart on the reverse side is a basic summary of some of the key aspects of this code section and may help you begin to navigate the ins and outs of this opportunity.

To determine if you qualify for part or all of the 199A deduction, it is imperative that you consult with your tax and legal advisors.

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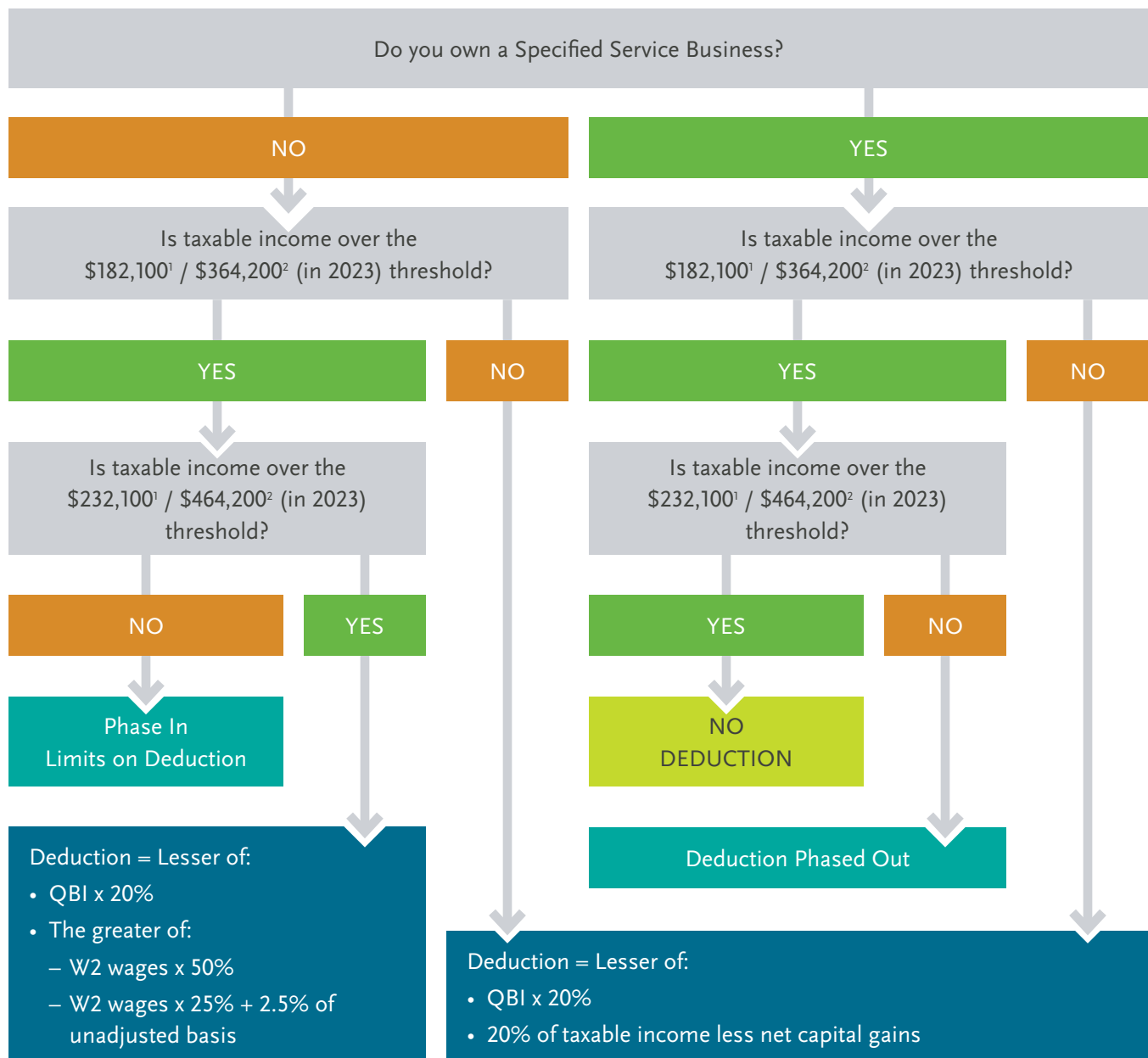
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To understand the basics of the section — there are a few concepts that need to be defined. Once you get a sense of these concepts review the flow chart which may help to identify whether a 199A deduction will be available.

Understanding Section 199A Terminology

1. The initial question is whether the business is a specified service business. The potential outcome will depend on the answer to this question. A **Specified Service Business** is defined as:
 - Any trade or business where the principal asset is the reputation or skill of one or more employees.
 - Health, Law, Accounting, Performing Arts, Consulting, Athletics, Financial Services, Brokerage Services.
 - Architects and Engineers are not considered Specified Service Businesses.
2. **Taxable Income (TI)**: all taxable income included on the Taxpayer's personal return, including spouse's income. Income includes amounts earned by spouse — even if not associated with the pass-through entity.
3. **Qualified business income (QBI)**: net amount of qualified income, gain, deduction, and loss with respect to the qualified trade or business of the Taxpayer.
4. **W2 Wages Paid to Employees**: the total amount of all wages paid to employees, employer elective deferrals, and compensation deferred under Code § 457 (including deferrals treated as Roth contributions).

¹ Filing status single

² Filing status married filing jointly