

Introducing Accountant ConnectSM

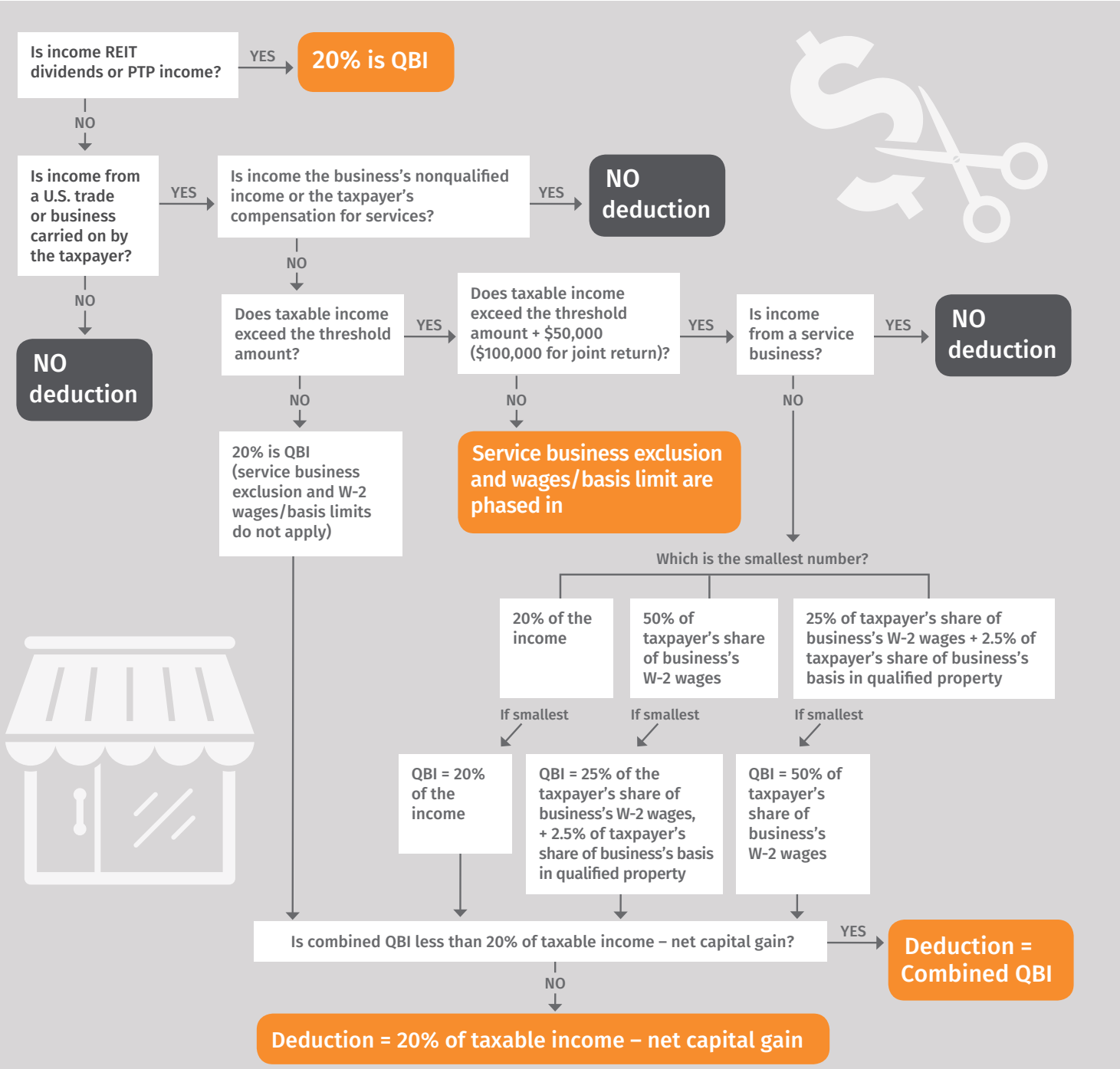
- Access multiple client reports & tax forms in just a few clicks
- CCH Resource Library
- Calculators and Tax Forms
- Complimentary CPE with CPE Link

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2018 | IRC §199A Qualified Business Income Deduction

Deduction Flowchart



2018 | IRC §199A Service Businesses; Wages/Capital Limit Phase-In

Specified Service Businesses



plus

Certain commonly owned businesses that provide property or services

but not

Businesses with de minimis service receipts, or banks

Tests for W-2 wages

- ✓ Paid by qualified business to its employees
- ✓ Allocable to QBI
- ✓ Properly reported

Effect of 199A Deduction

Individual's:	Prior Law	Current Law
Passed-thru income	\$100	\$100
Max deduction	0	\$20
Taxable income	\$100	\$80
Max income tax rate	39.6%	37%
Federal income tax	\$39.60	\$29.60
Net passed-thru income	\$60.40	\$70.40

2018 Phase-in Thresholds

TAXABLE INCOME



Phase-in of W-2 wages/basis limit

Deduction amount = 20% of QBI - excess amount x ratio

Excess amount = 20% of QBI - the greater of:

- 1 50% of the taxpayer's share of W-2 wages
or
- 2 25% of taxpayer's share of W-2 wages + 2.5% of taxpayer's share of basis

$$\text{Ratio} = \frac{\text{taxable income} - \$157,500}{\$50,000}$$

$$\text{joint return: } \frac{\text{taxable income} - \$315,000}{\$100,000}$$