QUALIFYING BUSINESS (TIM'S PARTNERSHIP)

STEP 1
Calculate QBI

Calculated QBI: $100,000

CALCULATED REDUCTION RATIO

$$\frac{\$375{,}000 - \$315{,}000}{\$100{,}000} = 60\%$$

Applicable percentage = (1 – reduction ratio)
(1 – 60%) = **40%**

STEP 2
Calculate QBI Allowed Per Entity

CALCULATE W-2 WAGE LIMIT

Greater of:
50% of employee wages: **$5,000**
or
25% of employee wages plus 2.5% of the unadjusted basis of assets: $3,000

CALCULATE EXCESS

Excess = 20% of QBI – W-2 wage limit
= (20%) x ($100,000) – $5,000
= **$15,000**

The amount of QBI deduction up to the wage limit is allowed in full
$5,000

the excess QBI deduction is subject to reduction, based on the applicable percentage
$15,000 x 40% = **$6,000**

Total QBID allowed for Tim's partnership
$5,000 + $6,000 = **$11,000**

SSTB (GEORGINA'S PARTNERSHIP)

Calculated QBI: $100,000

CALCULATED REDUCTION RATIO

$$\frac{\$375{,}000 - \$315{,}000}{\$100{,}000} = 60\%$$

Applicable percentage = (1 – reduction ratio)
(1 – 60%) = **40%**

Reduce allowable QBI, wages, and unadjusted basis of property using the applicable percentage

Allowable QBI = $100,000 x 40% = $40,000
Allowable Wages = $10,000 x 40% = $4,000
Allowable Basis = $20,000 x 40% = $8,000

CALCULATE W-2 WAGE LIMIT

Greater of:
50% of employee wages: **$2,000**
or
25% of allowable wages plus 2.5% of allowable basis: $1,200

CALCULATE EXCESS

Excess = 20% of allowable QBI – W-2 wage limit
= (20%) x ($40,000) – $2,000
= **$6,000**

The amount of QBI deduction up to the wage limit is allowed in full
$2,000

the excess QBI deduction is subject to reduction, based on the applicable percentage
$6,000 x 40% = **$2,400**

Total QBID allowed for Gerogina's partnership
$2,000 + $2,400 = **$4,400**

STEP 3
Calculate Combined QBID

COMBINED QBID

Tim's partnership QBID allowed: $11,000
Georgina's partnership QBID allowed: $4,400

Combined allowed QBID: **$15,400**

STEP 4
Apply Overall Limitation

OVERALL LIMITATION
20% of taxable income minus capital gains
(20%) x (375,000) = $75,000

Lower of:
Combined QBID Allowed: **$15,400**
Overall limitation: $75,000

FINAL QBI DEDUCTION
$15,400