Section 199A Qualified Business Income (QBI) Deduction Flowchart

1. Does the individual\(^a\) have QBI from a sole proprietorship or pass-through entity?  
   - Yes:  
     - Is the individual’s taxable income before the QBI deduction:  
       - \(\$315,000\) or less if MFJ?  
       - \(\$157,500\) or less if Single, HOH, MFS?  
     - Deduction equals 20% of QBI.\(^c, d\)  
   - No:  
     - Is the QBI from a specified service business?\(^b\)  
     - Yes:  
       - Is the individual’s taxable income before the QBI deduction:  
         - \(\$415,000\) or less if MFJ?  
         - \(\$207,500\) or less if Single, HOH, MFS?  
       - Amount of QBI is reduced; a 20% deduction is allowed on reduced QBI, subject to the wage/investment limit.\(^c, d\)  
     - No:  
       - A deduction is allowed; the wage/investment limit phases in.\(^c, d\)

Notes:

\(^a\) Also applies to trusts and estates.

\(^b\) A specified service business is a business that involves the performance of services in the fields of: (1) health; (2) law; (3) accounting; (4) actuarial science; (5) performing arts; (6) consulting; (6) athletics; (7) financial services; (8) brokerage services; (9) investing and investment management trading; (10) dealing in securities, partnership interests or commodities, or (11) any business whose principal asset is the reputation or skill of one of its owners or employees.

\(^c\) Deduction is limited to 20% of taxable income before QBI deduction, if less.

\(^d\) If any of the gross sales included in QBI are from sales to a cooperative, a reduction to the QBI deduction may be necessary.