

The background features a collection of colorful, overlapping loops and numbers. The loops are in shades of purple, blue, red, green, and yellow, creating a dynamic, abstract pattern. In the lower-left quadrant, there is a cluster of numbers in various colors (blue, green, red, purple, yellow) arranged in a curved, somewhat chaotic fashion. The overall aesthetic is modern and vibrant.

Thank you for joining us!  
The webinar will start momentarily...



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This webinar provides a brief summary based on our understanding and interpretation of current law. All tax references are to federal tax law only, unless otherwise stated.

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# WELCOME



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# COMPLEXITY



# BAD INFORMATION

Be Very Careful –  
Lots of Bad Information



# FREEDOM TO INTERPRET



# FREEDOM TO INTERPRET

## Technical Corrections Act





# TYPE OF INVESTMENT

## Passive and Active

Passive Income



Active Income



# GENERAL RULE

**20% of a Taxpayer's Qualified  
Business Income (QBI)**

**Net Amount of Income, Gain,  
Deduction, and Loss with  
Respect to the **Trade or Business****



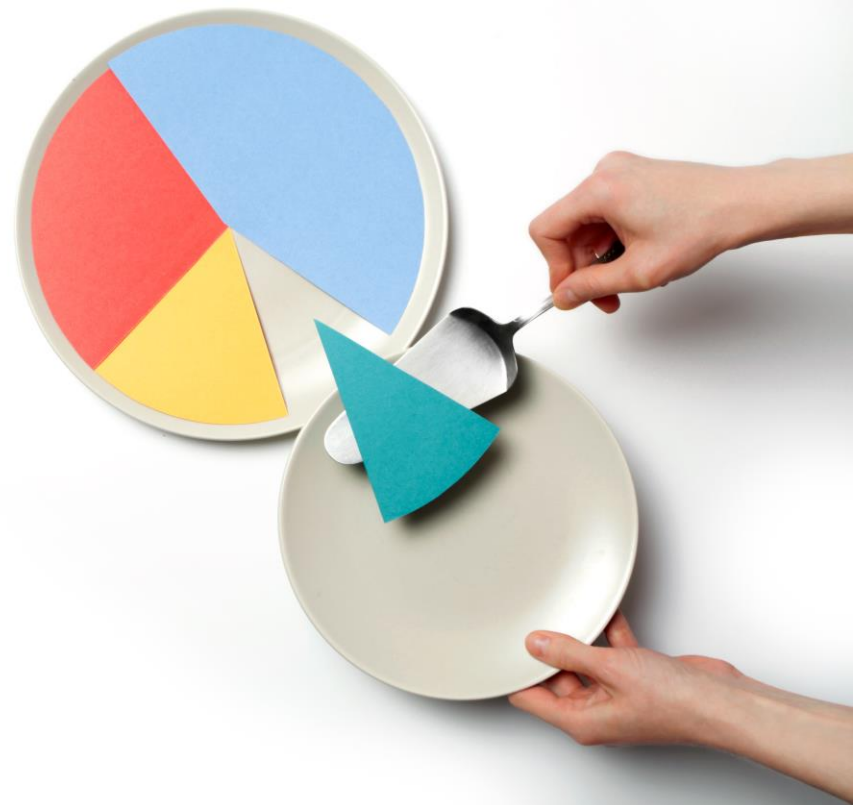
# QUALIFIED BUSINESS INCOME

***Any Trade Or Business Other Than Specified Service Trades Or Businesses (discussed later)***



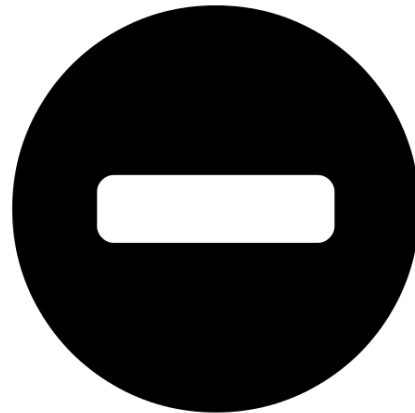
# OTHER QUALIFYING ENTITIES

**20% of the  
Aggregate  
Amount of the  
Qualified REIT  
Dividends and  
Qualified Publicly  
Traded Partnership  
Income**



# QUALIFIED BUSINESS INCOME (QBI)

**Capital Gains or Losses,  
Dividends, and Interest Income  
are Generally Excluded  
(Portfolio / Investment Income)**



# TRIPLE NET LEASE



# EXCLUDED COMPENSATION

**Employee  
Compensation of S-  
Corp Shareholder(s)  
and Guaranteed  
Payments for  
Services to a Partner  
are Excluded**



# S CORP COMPENSATION

## Reasonable Compensation



**IRS**

Department of the Treasury  
**Internal Revenue Service**





# PARTNERSHIPS

## GUARANTEED PAYMENTS



# PAYROLL / SELF-EMPLOYMENT TAX



# QUICK EXAMPLE

**A business has \$250,000 of Business Income. Sole Proprietorship, Husband and Wife LLC Taxed as a Partnership, and Single Shareholder S Corp with Reasonable Compensation of \$100,000. All file Married Filing Jointly.**



# EXAMPLE CONTINUED

	<b>Proprietorship</b>	<b>Partnership</b>	<b>S-Corp</b>
<b>Business Income</b>	<b>\$250,000</b>	<b>\$250,000</b>	<b>\$250,000</b>
<b>Shareholder Salary</b>			<b>\$100,000</b>
<b>QBI</b>	<b>\$250,000</b>	<b>\$250,000</b>	<b>\$150,000</b>
<b>Exemption %</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>
<b>Exemption Amount</b>	<b>\$50,000</b>	<b>\$50,000</b>	<b>\$30,000</b>

# EXAMPLE CONCLUSION

**BUT MIKE THAT IS NOT FAIR!**



## QUICK EXAMPLE 2

**A business has \$250,000 of Business Income. Sole Proprietorship, Husband and Wife LLC Taxed as a Partnership with Guaranteed Payments of \$100,000, and Single Shareholder S Corp with Reasonable Compensation of \$100,000. All file Married Filing Jointly.**

# EXAMPLE CONTINUED

	<b>Proprietorship</b>	<b>Partnership</b>	<b>S-Corp</b>
<b>Business Income</b>	<b>\$250,000</b>	<b>\$250,000</b>	<b>\$250,000</b>
<b>Shareholder Salary</b>		<b>\$100,000</b>	<b>\$100,000</b>
<b>QBI</b>	<b>\$250,000</b>	<b>\$150,000</b>	<b>\$150,000</b>
<b>Exemption %</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>
<b>Exemption Amount</b>	<b>\$50,000</b>	<b>\$30,000</b>	<b>\$30,000</b>

# PHASE-OUT

## Taxable Income

**\$157,500 / \$315,000**

**\$50,000/\$100,000**





# MARRIAGE PENALTY



# EXCEED THRESHOLD

- Lesser of:
  - 20% of QBI or
- Greater of:
  - 50% of Wages
  - 25% of Wages and 2.5% of Unadjusted Basis Immediately after Acquisition of all Qualified Property

# PERSONAL SERVICE ENTITIES

**Health, Law, Consulting,  
Athletics, Financial Services,  
Brokerage Services, or any  
Trade or Business Based on  
Personal Reputation**



# QUALIFIED PROPERTY

- **Held By, and Available for Use In, the Qualified Trade or Business**
- **Which is Used at Any Point During the Taxable Year In the Production of Qualified Business Income**
- **Depreciable Period Which has Not Ended Before the Close of the Tax Year**

# QUALIFIED PROPERTY EXAMPLE 1

Tom owns Commercial Real Estate and has a Management Company to run it (no Payroll). He has Income of \$1,500,000. The Property Basis is \$2,000,000.

The Deduction is the lesser of \$300,000 (20% of \$1,500,000) or **\$5,000 (2.5% of \$2,000,000)**



# QUALIFIED PROPERTY EXAMPLE 2



**Lucy owns a Printing Company. She has Income of \$500,000 and Payroll of \$160,000. She buys a new machine for \$100,00 to replace all other equipment.**

# QUALIFIED PROPERTY EXAMPLE 2

- **\$100,000 (20% of \$500,000)(Exceeds Threshold)**
- **\$42,500 (25% of \$160,000 + 2.5% of \$100,000)**
- **\$80,000 (50% of \$160,000)**



# EXAMPLE 3

**A business has \$600,000 of Business Income. Sole Proprietor, Husband and Wife LLC Taxed As a Partnership, and Husband and Wife Shareholders' S Corp in which the Wife has Reasonable Compensation of \$60,000 in the S Corp and similar Guaranteed Payment in LLC. Other Payroll \$50,000 and Equipment of \$100,000. All File Married Filing Jointly.**



# EXAMPLE 3 CONTINUED

	<b>S-Corp</b>	<b>Partnership</b>	<b>Proprietorship</b>
<b>Business Income</b>	<b>\$600,000</b>	<b>\$600,000</b>	<b>\$600,000</b>
<b>Shareholders Salary</b>	<b>\$60,000</b>		
<b>Guaranteed Payment</b>		<b>\$60,000</b>	
<b>QBI</b>	<b>\$540,000</b>	<b>\$540,000</b>	<b>\$600,000</b>
<b>Other Payroll</b>	<b>\$50,000</b>	<b>\$50,000</b>	<b>\$50,000</b>
<b>Equipment</b>	<b>\$100,000</b>	<b>\$100,000</b>	<b>\$100,000</b>
<b>Exemption</b>	<b>\$55,000</b>	<b>\$25,000</b>	<b>\$25,000</b>

# THIS CANNOT BE RIGHT



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BEYOND THE NUMBERS

# CHOICE OF ENTITY



# MARRIED FILING SEPARATELY



# PENALTY

## Accuracy Penalty for Substantial Understatement 5% Instead of 10% of Tax



# 401k



# QUESTIONS



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