

TaxInsight



What is this QBI deduction I've been hearing about?

One of the most talked-about parts of the Tax Cuts and Jobs Act is the QBI deduction, or qualified income business deduction. So what exactly is it, and can I get it?

What is the QBI? The qualified business income deduction is a 20% deduction on most income from pass-through entities such as partnerships, S corporations, sole proprietorships and LLCs not treated as C corporations. Pass-through entities don't pay income taxes at the corporate level. Instead, income is allocated among the owners and taxes are only levied on an individual basis.

Do I have to itemize? No. The QBI deduction is not an itemized deduction.

I'm a doctor. Can I take it? Yes and no. Certain professionals, including doctors, lawyers, accountants and other service-related businesses can only take the deduction if their taxable income is under the threshold amount.

What are those threshold amounts? The deduction starts to phase-out at \$157,000 for all taxpayers except joint filers, whose deductions

start to phase out at taxable income of \$315,000. This is the amount after you take the standard or itemized deduction.

Are there other limits? Yes. The deduction can't reduce your taxable income below zero.

Can I just form an LLC to receive my paycheck? No. Employee compensation is excluded as are guaranteed payments to a partner or member of an LLC.

I need more information. What can I do? Come talk to me about how to best use this new deduction. You can significantly reduce your tax with proper planning.

Important Tax Information

The Tax Cuts and Jobs Act originally reduced the maximum HSA contributions for family coverage to \$6,850. However, the IRS recently announced relief for taxpayers, and returned the contribution limit to the original \$6,900.

Did You Know?

Father's day was celebrated in Europe as early as the Middle Ages. Brought to the Americas by the Spanish and Portuguese, Father's Day was primarily a religious and regional holiday until 1966, when Lyndon B. Johnson issued a presidential proclamation. It was made a national holiday in 1972.

Quote Corner

“Never, never, never give up.”

~ Winston Churchill