

199A DEDUCTION: BIG CHANGE

FOR SMALL BUSINESS

As part of the Tax Cuts and Jobs Act, this specialized deduction is meant to encourage small business. Qualifying businesses include:

QUALIFYING BUSINESSES

 **SOLE
PROPRIETORSHIPS**

Partnerships 

LLCs
NOT ELECTING TAXATION AS CORPORATION

 **CORPORATIONS**

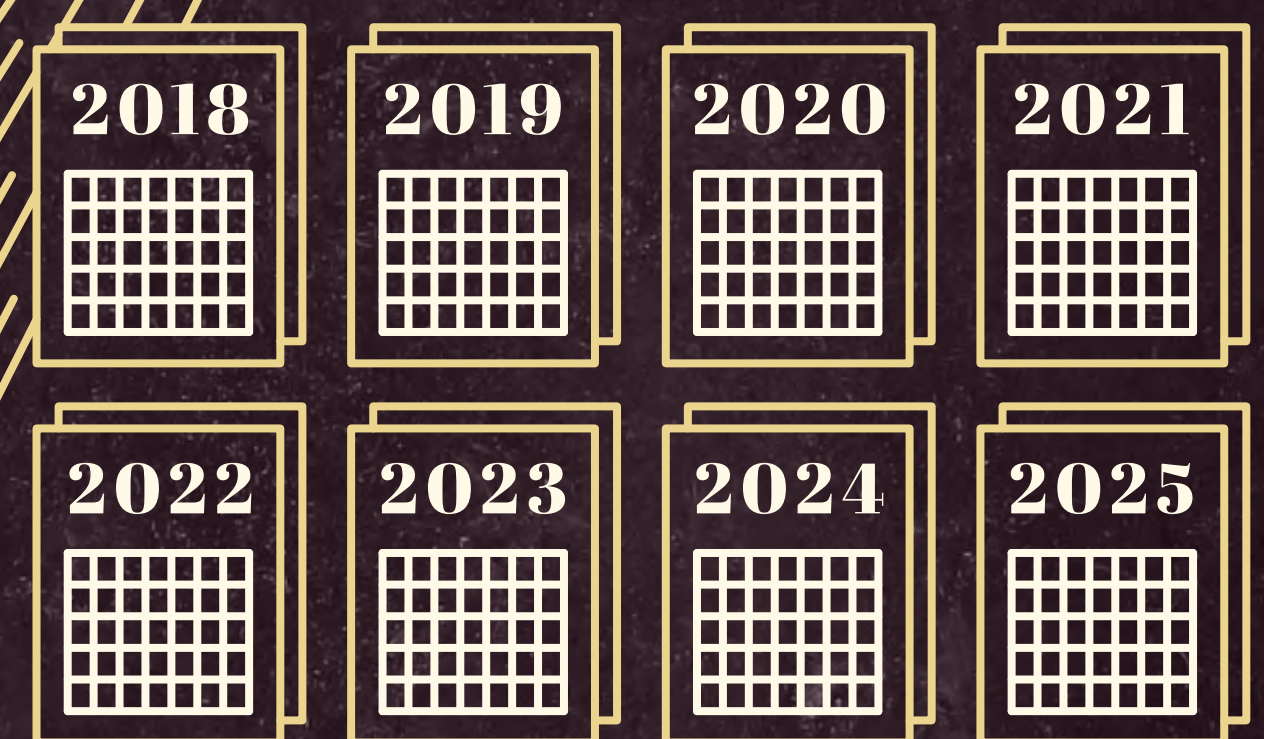
A WORD FOR PROFESSIONALS

For businesses in the category of specified service businesses, the deduction is phased-out as taxable income goes up. A specified service business is defined as,



Any trade or business involving the performance of services in the fields of health, law, accounting, actuarial science, performing arts, consulting, athletics, financial services, brokerage services, or any trade or business where the principal asset of such trade or business is the reputation or skill of 1 or more of its employees.

As such, high earning business owners that are doctors, lawyers, and financial advisors, if proper planning is not done, could lose out on the deduction.



INCOME RANGES

The 199a Deduction went effective in 2018 and expires after 2025.

The IRS has noted that 95 percent of business owners fall below the 95-percent thresholds and won't have to worry about the limitations, aggregation, buying up property, or the W-2 limits.

For the 5 percent that do fall above the income thresholds, it is imperative you work with your financial advisor, accountant, and attorney to make sure you are not losing a valuable deduction or incorrectly filing your taxes.



The 199a deduction is complex, even after the IRS tried to clarify it in a

247-PAGE
document in early 2019.

Make sure you're talking to your advisor to take full advantage of the deduction. It could cost you big.



<https://www.nerdwallet.com/blog/taxes/pass-through-income-tax-deduction/>

<https://www.forbes.com/sites/jamishopkins/2019/02/13/understanding-the-199a-deduction-after-the-new-irs-final-regulations/#28d53c045770>



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