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## Form 8995 instructions 2023

If you're a taxpayer eligible for the Qualified Business Income (QBI) deduction, you'll need to fill out IRS Form 8995 to claim this deduction on your tax return. In this article, we'll provide you with a step-by-step guide to help you accurately fill out Form 8995. **Step-by-Step Guide on Filling Out Form 8995 Determine Eligibility:** Check if you qualify for the QBI deduction, which is generally available to individuals, estates, and trusts with income from pass-through entities like sole proprietorships, partnerships, LLCs, and S corporations, provided their taxable income is below certain thresholds (\$182,100 for single filers and \$364,200 for married filing jointly in 2023). Calculate Qualified Business Income (QBI): Your QBI includes the net income from your pass-through business but excludes capital gains, interest income not related to the business, wage income, and foreign income. Download Form 8995: Obtain Form 8995 from the official IRS website or through your tax software provider. Fill in the form fields: Lines 1-4: Enter your business information and calculate your total QBI. Lines 6-10: Report income from Real Estate Investment Trusts (REIT) or Publicly Traded Partnerships (PTP) if applicable. Lines 11-15: Calculate the QBI deduction, considering your total taxable income and net capital gains. Lines 16-17: Determine any carryover loss, which can be used to offset future profits if your net QBI is negative. Loss Carryforward: If your business incurs a loss, it can be carried forward to offset QBI in future years. Losses from one business can offset QBI from other businesses if you own multiple entities. Review and Submit: Ensure all information is accurate before attaching Form 8995 to your tax return and submitting it to the IRS. If your taxable income exceeds the thresholds for using Form 8995, you may need to use Form 9995-A, which is more complex and includes additional sections and schedules for higher-income individuals. Subscribe to our compliance calendar to get reminders you never miss a deadline. Thanks! We've sent an email with links to the Google and IRS calendars to the email address if such provided! Check out some of our other tax resources below. Oops! Something went wrong while submitting the form. Submission Deadline and Consequences of Non-Compliance The filing deadline for IRS Form 8995 is the same as your tax return, generally April 15th. Missing this deadline can result in penalties and interest charges. The "Failure to File" penalty is 5% of the unpaid taxes for each month the return is late, up to a maximum of 25%. If both "Failure to File" and "Failure to Pay" penalties apply in the same month, the combined penalty remains 5% per month, with the "Failure to File" penalty reduced by the "Failure to Pay" penalty amount. If the return is filed more than 60 days late, a minimum penalty applies, which is the lesser of \$485 (for filers after December 31, 2023) or 100% of the unpaid tax. Filing your return on time and accurately is crucial to avoid these penalties and ensure you claim your Qualified Business Income (QBI) deduction. If you expect this month's deadline, it's advisable to file for an extension using Form 4868, which extends the filing deadline to October 15th. However, this extension does not extend the time to pay any taxes owed. Your request has been submitted You have been successfully added to the TaxAct Do Not Sell list. If you're a small business owner or a self-employed individual, you may be eligible for a tax break that can save you up to 20% of your qualified business income (QBI). This deduction, known as the QBI deduction or Section 199A deduction, was created by the Tax Cuts and Jobs Act of 2017 and is available for tax years 2018 through 2025. In this article, we'll explain what the QBI deduction is, who can claim it, how to calculate it, and what forms you need to file. What is the QBI deduction? The QBI deduction is a way to lower your taxable income by deducting up to 20% of your net income from a qualified trade or business. A qualified trade or business is any business that is not a C corporation, such as a sole proprietorship, partnership, S corporation, or LLC. The QBI deduction also applies to qualified REIT dividends and qualified publicly traded partnership (PTP) income. The QBI deduction is not an itemized deduction so you can claim it even if you take the standard deduction. However, the QBI deduction does have some limitations based on your taxable income, your type of business, and your wages and property. We'll discuss these limitations in more detail later. Who can claim the QBI deduction? You can claim the QBI deduction if you meet the following criteria: You have QBI, qualified REIT dividends, or qualified PTP income or loss; Your taxable income before your QBI deduction is less than or equal to \$170,050 if single, married filing separately, head of household, qualifying surviving spouse, or are a trust or estate, or \$340,100 if married filing jointly; and You are not a patron in a specified agricultural or horticultural cooperative. If your taxable income exceeds these thresholds, you may still be able to claim a partial QBI deduction, but you will have to use Form 8995-A instead of Form 8995. Form 8995-A has more complex rules and calculations that depend on whether your business is a specified service trade or business (SSTB) or not. An SSTB is a business that provides services in fields such as health, law, accounting, consulting, financial services, performing arts, athletics, brokerage services, investing and investment management, trading, dealing in securities, or any business where the principal asset is the reputation or skill of one or more of its employees or owners. SSTBs are subject to lower income thresholds and phase-out rules for the QBI deduction. See also Tennessee Sales Tax: A Guide for Businesses and ConsumersHow to calculate the QBI deduction? To calculate your QBI deduction using Form 8995, you need to follow these steps: Fill out Part I to determine your QBI component for each trade or business. You need to enter your net income or loss from each business on line 1. If you have more than one business, you need to attach a statement showing the calculation for each one. You also need to enter any qualified REIT dividends and qualified PTP income or loss on line 2. Then add lines 1 and 2 and enter the result on line 3. If line 3 is zero or less, enter zero on line 4 and skip to Part IV. Otherwise, multiply line 3 by 20% (0.2) and enter the result on line 4. Fill out Part II to determine your taxable income limitation. You need to enter your taxable income before your QBI deduction on line 5. This is the amount from Form 1040 line 15 minus any capital gain reported on schedule D line 13. Then enter your net capital gain on line 13. Then enter the result on line 7. Then multiply line 7 by 20% (0.2) and enter the result on line 8. Fill out Part III to determine your QBI deduction. Compare line 4 and line 8 and enter the smaller amount on line 9. This is your QBI deduction before any cooperative reduction. Fill out Part IV to determine your cooperative reduction, if any. If you received any domestic production activities deduction (DPAD) from a cooperative, enter it on line 10. Then multiply line 10 by 9% (0.09) and enter the result on line 11. Subtract line 11 from line 9 and enter the result on line 12. This is your QBI deduction. Here's an example of how to fill out Form 8995 using some hypothetical data: Let's say you have two businesses: a bakery and a flower shop. Your net income from the bakery is \$50,000 and your net loss from the flower shop is -\$10,000. You also have \$5,000 of qualified REIT dividends and \$2,000 of qualified PTP income. Your taxable income before your QBI deduction is \$80,000 and your net capital gain is \$15,000. To calculate your QBI deduction, you need to do the following: Fill out Part I to determine your QBI component for each trade or business. You enter \$50,000 on line 1a for the bakery and -\$10,000 on line 1b for the flower shop. You attach a statement showing the calculation for each business. You enter \$5,000 on line 2a for the REIT dividends and \$2,000 on line 2b for the PTP income. You add lines 1 and 2 and enter \$47,000 on line 3. Since line 3 is more than zero, you multiply it by 20% (0.2) and enter \$9,400 on line 4. Fill out Part II to determine your taxable income limitation. You enter \$80,000 on line 5. This is your taxable income before your QBI deduction. You enter \$15,000 on line 6. This is your net capital gain. You subtract line 6 from line 5 and enter \$65,000 on line 7. Then you multiply line 7 by 20% (0.2) and enter \$13,000 on line 8. Fill out Part III to determine your QBI deduction. You compare line 4 and line 8 and enter the smaller amount on line 9. In this case, it's \$9,400. This is your QBI deduction before any cooperative reduction. Fill out Part IV to determine your cooperative reduction, if any. In this example, you don't receive any DPAD from a cooperative, so you enter zero on line 10. Then you multiply line 10 by 9% (0.09) and enter zero on line 11. You subtract line 11 from line 9 and enter \$9,400 on line 12. This is your QBI deduction. Your Form 8995 would look something like this: Part I QBI Component 1a \$50,000 1b -\$10,000 2a \$5,000 2b \$2,000 3 \$47,000 4 \$9,400 Part II Taxable Income Limitation 5 \$80,000 6 \$15,000 7 \$65,000 8 \$13,000 9 \$9,400 Part III QBI Deduction 9 \$9,400 Part IV Cooperative Reduction (if any) 10 \$0 11 \$0 12 \$9,400 You can claim \$9,400 as your QBI deduction on Form 1040 line 13. Make sure to attach Form 8995 to your tax return. Hope this information has been valuable to you. Thanks for reading! Section references are to the Internal Revenue Code unless otherwise noted. For the latest information about developments related to Form 8995-A and its instructions, such as legislation enacted after they were published, go to IRS.gov/Form8995A. Use Form 8995-A to figure your qualified business income (QBI) deduction. Include the following schedules (their specific instructions are shown later), as appropriate: Schedule A (Form 8995-A), Specified Service Trades or Businesses Schedule B (Form 8995-A), Aggregation of Business Operations Schedule C (Form 8995-A), Loss Netting and Carryforward Schedule D (Form 8995-A), Special Rules for Patrons of Agricultural or Horticultural Cooperatives In general, the amount of your QBI deduction equals your qualified real estate investment trust (REIT) and qualified publicly traded partnership (PTP) component (REIT/PTP component). However, the deduction is limited to the lesser of this amount or 20% of your taxable income, calculated before the QBI deduction, minus your net capital gain (increased by any qualified dividends). Depending on your taxable income, your QBI component may also be limited based on the type of trade or business, and Unadjusted Basis Immediately after Acquisition (UBIA) of qualified property held by the business. Individuals and eligible estates and trusts use Form 8995-A to figure the QBI deduction if: You have QBI, qualified REIT dividends, or qualified PTP income or loss; and Your 2024 taxable income before your QBI deduction is more than \$383,900 married filing jointly, and \$191,950 for all other returns; or You're a patron in a specified agricultural or horticultural cooperative. Otherwise, use Form 9995, Qualified Business Income Deduction Simplified Computation, to figure your QBI deduction. Determining your qualified trades or businesses. Your qualified trades and businesses generally include your trades or businesses for which you're allowed a deduction for ordinary and necessary business expenses under section 162. However, trades or businesses conducted by corporations and the performance of services as an employee are never qualified trades or businesses. Specified service trades or businesses (SSTBs) aren't qualified trades or businesses for taxpayers with taxable income, before the QBI deduction, above the threshold and phased-in range. As provided in section 162, an activity qualifies as a trade or business if your primary purpose for engaging in the activity is for income or profit and you're involved in the activity with continuity and regularity. If you own an interest in a pass-through entity, the trade or business determination is made at the entity level. Material participation under section 469 isn't required to qualify for the QBI deduction. Eligible taxpayers with income from a trade or business may be entitled to the QBI deduction if they otherwise satisfy the requirements of section 199A. The ownership and rental of real property may constitute a trade or business if it meets the standard described above. Also, Revenue Procedure 2019-38 provides a safe harbor under which a rental real estate enterprise will be treated as a trade or business for purposes of the QBI deduction. Rental real estate that doesn't meet the requirements of the safe harbor may still be treated as a trade or business for purposes of the QBI deduction if it is a section 162 trade or business. Also, the rental or licensing of property to a commonly controlled trade or business operated by an individual or a pass-through entity is considered a trade or business under section 199A. SSTBs excluded from your qualified trades or businesses. SSTBs are generally excluded from the definition of a qualified trade or business if the taxpayer's taxable income exceeds the threshold plus the phase-in range. Therefore, no QBI, W-2 wages, or UBIA of qualified property from the specified service trade or business are taken into account in figuring your QBI deduction. If the SSTB is conducted by your pass-through entity, the same limitation applies to the pass-through items. Exception 1. If your 2024 taxable income before the QBI deduction isn't more than \$383,900 if married filing jointly, and \$191,950 for all other returns, your SSTB is treated as a qualified trade or business, and thus may generate income eligible for the QBI deduction. Exception 2. If your 2024 taxable income before the QBI deduction is more than \$383,900 but not more than \$483,900 if married filing jointly, \$191,950 and \$241,950 for all other returns, an applicable percentage of your SSTB is treated as a qualified trade or business, you must complete Schedule A (Form 8995-A). An SSTB is any trade or business providing services in the fields of: Health, including physicians, pharmacists, nurses, dentists, veterinarians, physical therapists, psychologists, and other similar healthcare professionals. However, it excludes services not directly related to a medical services field, such as the operation of health clubs or spas; payment processing; or the research, testing, manufacture, and sale of pharmaceuticals or medical devices; Law, including lawyers, paralegals, legal arbitrators, mediators, and similar professionals. However, it excludes services that don't require skills unique to the field of law such as services by printers, delivery services, or stenography services; Accounting, including accountants, enrolled agents, return preparers, financial auditors, and similar professionals; Actuarial science, including actuaries, and similar professionals; Performing arts, including actors, singers, musicians, entertainers, directors, and similar professionals. However, it excludes services that don't require skills unique to the creation of performing arts, such as the maintenance and operation of equipment or facilities for use in the performing arts or the provision of services by persons who broadcast video or audio of performing arts to the public; Consulting, including persons providing clients with professional advice and counsel to assist in achieving goals and solving problems, and persons providing advice and counsel regarding advocacy with the intention of influencing decisions made by a government or governmental agency, and lobbyists attempting to influence legislators and other government officials on behalf of a client, and other similar professionals. However, it excludes the performance of services other than advice or counsel, such as sales or the provision of training and educational courses. It also excludes consulting services embedded in or ancillary to the activities of a trade or business that isn't an SSTB, if there is no separate payment for the consulting services. Athletics, including athletes, coaches, and team managers in sports such as baseball, basketball, football, soccer, hockey, martial arts, boxing, bowling, tennis, golf, skiing, snowboarding, track and field, billiards, racing, and other forms of athletic competition. However, it excludes services that don't require skills unique to athletic competition, such as the maintenance and operation of equipment or facilities for use in athletic events or the provision of services by persons who broadcast video or audio of athletic events to the public; Financial services, including persons managing clients' wealth, advising clients on finances, developing retirement plans, developing health transition plans, providing advisory and other similar services regarding valuations, mergers, acquisitions, dispositions, restructurings (including in title 11 or similar cases), and raising financial capital by underwriting, or acting as a client's agent in the issuance of securities and similar services. This includes services provided by financial advisors, investment bankers, wealth planners, retirement advisors, and other similar professionals. However, it excludes taking deposits or making loans, but does include arranging lending transactions between a lender and borrower; Brokerage services, including persons who arrange transactions between a buyer and a seller of securities for a commission or fee such as stock brokers and other similar professionals. However, it excludes services provided by real estate agents and brokers, or insurance agents and brokers; Investing and investment management, including persons providing, for a fee, investing, asset management, or investment management services, including providing advice on buying and selling investments. However, it excludes the service of directly managing real property; Trading, including persons who trade in securities (as defined in section 475(c)(2)), commodities (as defined in section 475(e)(2)), or partnership interests; Dealership securities (as defined in section 475(c)(2)), commodities (as defined in section 475(e)(2)), or partnership interests; and Any trade or business where the principal asset is the reputation or skill of one or more of its employees or owners, as demonstrated by: - Receiving fees, compensation, or other income for endorsing products or services; - Licensing or receiving fees, compensation, or other income for the use of an individual's image, likeness, name, signature, voice, trademark, or any other symbols associated with the individual's identity; or - Receiving fees, compensation, or other income for appearing at an event or on radio, television, or another media format. De minimis rule 1. If your gross receipts from a trade or business are \$25 million or less and less than 10% of the gross receipts are from the performance of services in a specified service field, then your trade or business isn't considered an SSTB, and thus may generate income eligible for the QBI deduction for the tax year, regardless of your taxable income. De minimis rule 2. If your gross receipts from the trade or business are more than \$25 million and less than 5% of the gross receipts are from the performance of services, then your trade or business isn't considered an SSTB, and thus may generate income eligible for the QBI deduction for the tax year, regardless of your taxable income. De minimis rule 3. If your trade or business provides services or property to an SSTB and there is 50% or more common ownership of the trades or businesses, that portion of the business that provides services or property to the SSTB is treated as a separate SSTB concerning the common owners. You must combine the QBI, W-2 wages, and UBIA of qualified property for all aggregated trades or businesses, for purposes of applying the W-2 wage and UBIA of qualified property limitations. Determining your QBI. Your QBI includes qualified items of income, gain, deduction, and loss from your trades or businesses that are effectively connected with the conduct of a trade or business in the United States. This includes qualified items from partnerships (other than PTPs), S corporations, sole proprietorships, and certain estates and trusts that are allowed in calculating your taxable income for the year. To figure the total amount of QBI, you must consider all items that are attributable to the trade or business. This includes, but isn't limited to, unreimbursed partnership expenses, business interest expense, deductible part of self-employment tax, self-employment insurance deduction, and contributions to qualified retirement plans. QBI doesn't include any of the following: Items that aren't properly included in income. Income that isn't effectively connected with the conduct of a trade or business within the United States (go to IRS.gov/ECI). Wage income (except "Statutory Employees" where Form W-2, box 13, is checked). Amounts received as reasonable compensation from an S corporation. Amounts received as guaranteed payments. Amounts received as payments by a partner for services other than in a capacity as a partner. Items treated as capital gains or losses under any provision of the Code. Dividends and dividend equivalents. Interest income not properly allocable to a trade or business. Commodities transactions or foreign currency gains or losses. Income, loss, or deductions from notional principal contracts. Annuities (unless received in connection with the trade or business). Qualified REIT dividends. Qualified PTP income. See the QBI Flow Chart, later, for figuring an item of income, gain, deduction, or loss included in QBI. Losses or deductions from a qualified trade or business that are suspended by other provisions of the Internal Revenue Code are not qualified losses or deductions and therefore, are not included in your QBI for the year. Such Code provisions include, but aren't limited to, sections 163(j), 179, 461(i), 465, 469, 704(d), and 1366(d). Instead, qualified losses and deductions are taken into account in the tax year they're included in calculating your taxable income. When losses or deductions are suspended, you must determine the qualified portion of the losses or deductions that must be included in QBI in subsequent years when allowed in calculating your taxable income. In general, losses and deductions incurred prior to 2018 are not qualified losses or deductions and are not included in QBI in the year they are included in calculating taxable income. If a loss or deduction is partially suspended, only the portion of the allowed loss or deduction attributable to QBI must be considered when determining QBI from the trade or business in the year the loss or deduction is incurred. The portion of the allowed loss or deduction attributable to QBI is determined by first calculating the percentage of the total loss or deduction that is attributable to QBI by the overall total loss. The allowed loss or deduction is then multiplied by this percentage to determine the portion of the allowed loss or deduction attributable to QBI. If your trade or business is an SSTB, whether the trade or business is a qualified trade or business is determined based on your taxable income in the year the loss or deduction is incurred. If your taxable income is within the phase-in range in that year, you must determine and apply the applicable percentage in the year the loss or deduction was incurred to determine the qualified portion of the suspended loss or deduction. Losses and deductions retain their status as either qualified or non-qualified from year to year while suspended. Therefore, you must track each category of loss or deduction until the loss or deduction is no longer suspended. For an example of a reasonable method to track and compute the amount of previously disallowed losses or deductions to be included in your QBI deduction calculation in the year allowed, see Tracking Losses or Deductions Suspended by Other Provisions, later. When losses or deductions previously suspended by other Code provisions are allowed in calculating taxable income, the qualified portion of the loss or deduction allowed under each provision is treated as a qualified net loss carryforward from a separate trade or business when calculating the current year's QBI deduction. Any qualified loss or deduction from an SSTB allowed in calculating taxable income isn't included on the Schedule A (Form 8995-A) as the applicable percentage was previously determined and applied in the year the loss or deduction was incurred and should not be redetermined in the year the loss or deduction is allowed. Determining whether items included on Schedule K-1 are includable in QBI. The amounts reported on your Schedule K-1 as "QBI/Qualified PTP Items Subject to Taxpayer-Specific Determinations" from a partnership, S corporation, estate, or trust aren't automatically includable in your QBI. To determine if the item of income, gain, deduction, or loss is includable in QBI, you must look to how it is reported on your federal income tax return. For example, ordinary business income or loss is generally included in QBI if it was used in computing your taxable income and you're not a partner, officer, or director of the partnership. Also, a section 1231 gain or loss is only reportable in QBI if it isn't capital gain or loss. See the QBI Flow Chart, later, to determine if an item of income, gain, deduction, or loss is includable in QBI. Determining your W-2 wages for limitation purposes. W-2 wages generally include amounts paid to employees for the performance of services, plus elective deferrals (for example, contributions to 401(k) plans, deferred compensation, and Roth IRA contributions). Amounts paid to statutory employees aren't W-2 wages when the "Statutory Employee" box on Form W-2, box 13, is checked. If you conduct more than one trade or business, the W-2 wages must be allocated among the various trades or businesses (or aggregated trades or businesses) to the trade or business that generated the wage expense. Also, only the W-2 wages properly allocable to QBI are includable. W-2 wages are properly allocable to QBI if the associated wage expense is taken into account in computing QBI. Before allocating W-2 wages among various trades or businesses (or aggregated trades or businesses) and/or allocating W-2 wages to QBI, first determine the total amount of W-2 wages. There are three methods to figure your W-2 wages. Unmodified box method. Modified box 1 method. Tracking wages method. Under the unmodified box method, W-2 wages are the smaller of: The sum of the amounts reported in box 1 of the relevant Forms W-2; or The sum of the amounts reported in box 5 of the relevant Forms W-2. Under the modified box 1 method, W-2 wages are figured as follows. Add the amounts reported in box 1 of the relevant Forms W-2. Add all amounts not considered wages, for federal income tax withholding purposes including, but not limited to: Supplemental unemployment compensation benefits within the meaning of Rev. Rul. 90-72, and Sick pay or annuity payments. Subtract (2) from (1). Add together any amounts reported in box 12 of the relevant Forms W-2 that are properly coded D, E, F, G, or S. Add (3) and (4). Under the tracking wages method, W-2 wages are figured as follows. Add the amounts that are wages for federal income tax withholding purposes and that are also reported in box 1 of the relevant Forms W-2. Add together any amounts reported in box 12 of the relevant Forms W-2 that are properly coded D, E, F, G, or S. Add (1) and (2). To figure your W-2 wages using one of the three methods above, generally use the sum of the amounts you properly report for each employee on Form W-2, Wage and Tax Statement, for the calendar year ending with or within your tax year. However, don't use any amounts reported on a Form W-2 filed with the Social Security Administration more than 60 days after its due date (including extensions). For purposes of determining W-2 wages for limitation purposes, fiscal year end trades or businesses include qualified amounts paid to employees for the calendar year ended with or within the business's tax year. Determining your UBIA of qualified property. For purposes of determining your UBIA for all qualified property, the unadjusted basis immediately after acquisition means the basis on the placed-in-service date. Qualified property includes tangible property subject to depreciation under section 167 held, and used in the production of QBI, by the trade or business (or aggregated trades or businesses) during and at the close of the tax year, for which the depreciable period hasn't ended before the close of the tax year. The depreciable period ends on the later of 10 years after the property is first placed in service by you or the last day of the full last year in the applicable recovery period under section 168(c). Additional first-year depreciation under section 168 doesn't affect the applicable recovery period. Improvements to property that has already been placed in service are treated as separate qualified property. For qualified replacement property acquired in a section 1031 exchange that's of a like-kind to the qualified relinquished property, or for qualified replacement property acquired in a section 1033 involuntary conversion that's similar or related in service or use to the qualified converted property, the UBIA of the qualified replacement property is the same as the UBIA of the qualified property exchanged, converted, decreased by excess boot, or increased by the amount of money paid or the fair market value of property transferred by the taxpayer that isn't of a like-kind or similar or related in service or use. Generally, replacement property retains the same placed-in-service date as that of the relinquished property. However, for the portion of the replacement property's UBIA that exceeds the relinquished property's UBIA, that portion is treated as separate qualified property placed in service on the date on which the replacement property is first placed in service. Generally, property received in a nonrecognition transaction (section 332, 351, 361, 721, or 731) retains the same UBIA and placed-in-service date as that of the transferor. However, for the portion of the transferor's UBIA that exceeds the transferor's UBIA, that portion is treated as separate qualified property placed in service on the date of the transfer. Property acquired within 60 days of the year end that's disposed of within 120 days without being used by the trade or business for at least 45 days is generally not qualified property. Your qualified REIT/PTP component equals 20% of your qualified REIT dividends and qualified PTP income or loss (including your share of qualified REIT dividends and qualified PTP income or loss from RPEs). Qualified REIT dividends include any dividend you received from a REIT held for more than 45 days and for which the payment isn't obligated to someone else and that isn't a capital gain dividend under section 857(b)(3) and isn't a qualified dividend under section 1(b)(11). Plus, your qualified REIT dividends include those received from a regulated investment company (RIC). Qualified PTP income(loss) includes your share of qualified items of income, gain, deduction, and loss from a PTP that is not treated as a corporation for federal income tax purposes. It may also include gain or loss recognized on the disposition of your PTP interest that isn't treated as a capital gain or loss. It doesn't include any loss or deduction disallowed in determining your taxable income for the year. Qualified REIT dividends are reported to you on Form 1099-DIV, Dividends and Distributions, box 5, Section 199A dividends. You may need to complete Schedule A, B, C, and/or D, as applicable, prior to starting Part I of the form. Complete Schedule A only if your trade or business is a SSTB and your taxable income is more than \$191,950 but not \$241,950 (\$383,900 and \$483,900 if married filing jointly). If your taxable income isn't more than \$191,950 (\$383,900 if married filing jointly) and you're not a partner in an agricultural or horticultural cooperative, don't file Form 8995-A. Instead, file Form 9995, Qualified Business Income Deduction Simplified Computation. Otherwise, complete Schedule D (Form 8995-A) before beginning Schedule A. If your taxable income is more than \$241,950 (\$483,900 if married filing jointly), your SSTB is treated as a qualified trade or business, and thus may generate income eligible for the QBI deduction. Exception 1. If your 2024 taxable income before the QBI deduction is more than \$383,900 but not more than \$483,900 if married filing jointly, you must complete Schedule B (Form 8995-A). An SSTB is any trade or business providing services in the fields of: Health, including physicians, pharmacists, nurses, dentists, veterinarians, physical therapists, psychologists, and other similar healthcare professionals. However, it excludes services not directly related to a medical services field, such as the operation of health clubs or spas; payment processing; or the research, testing, manufacture, and sale of pharmaceuticals or medical devices; Law, including lawyers, paralegals, legal arbitrators, mediators, and similar professionals. However, it excludes services that don't require skills unique to the field of law such as services by printers, delivery services, or stenography services; Accounting, including accountants, enrolled agents, return preparers, financial auditors, and similar professionals; Actuarial science, including actuaries, and similar professionals; Performing arts, including actors, singers, musicians, entertainers, directors, and similar professionals. However, it excludes services that don't require skills unique to the creation of performing arts, such as the maintenance and operation of equipment or facilities for use in the performing arts or the provision of services by persons who broadcast video or audio of performing arts to the public; Consulting, including persons providing clients with professional advice and counsel to assist in achieving goals and solving problems, and persons providing advice and counsel regarding advocacy with the intention of influencing decisions made by a government or governmental agency, and lobbyists attempting to influence legislators and other government officials on behalf of a client, and other similar professionals. However, it excludes the performance of services other than advice or counsel, such as sales or the provision of training and educational courses. It also excludes consulting services embedded in or ancillary to the activities of a trade or business that isn't an SSTB, if there is no separate payment for the consulting services. Athletics, including athletes, coaches, and team managers in sports such as baseball, basketball, football, soccer, hockey, martial arts, boxing, bowling, tennis, golf, skiing, snowboarding, track and field, billiards, racing, and other forms of athletic competition. However, it excludes services that don't require skills unique to athletic competition, such as the maintenance and operation of equipment or facilities for use in athletic events or the provision of services by persons who broadcast video or audio of athletic events to the public; Financial services, including persons managing clients' wealth, advising clients on finances, developing retirement plans, developing health transition plans, providing advisory and other similar services regarding valuations, mergers, acquisitions, dispositions, restructurings (including in title 11 or similar cases), and raising financial capital by underwriting, or acting as a client's agent in the issuance of securities and similar services. This includes services provided by financial advisors, investment bankers, wealth planners, retirement advisors, and other similar professionals. However, it excludes taking deposits or making loans, but does include arranging lending transactions between a lender and borrower; Brokerage services, including persons who arrange transactions between a buyer and a seller of securities for a commission or fee such as stock brokers and other similar professionals. However, it excludes services provided by real estate agents and brokers, or insurance agents and brokers; Investing and investment management, including persons providing, for a fee, investing, asset management, or investment management services, including providing advice on buying and selling investments. However, it excludes the service of directly managing real property; Trading, including persons who trade in securities (as defined in section 475(c)(2)), commodities (as defined in section 475(e)(2)), or partnership interests; Dealership securities (as defined in section 475(c)(2)), commodities (as defined in section 475(e)(2)), or partnership interests; and Any trade or business where the principal asset is the reputation or skill of one or more of its employees or owners, as demonstrated by: - Receiving fees, compensation, or other income for endorsing products or services; - Licensing or receiving fees, compensation, or other income for the use of an individual's image, likeness, name, signature, voice, trademark, or any other symbols associated with the individual's identity; or - Receiving fees, compensation, or other income for appearing at an event or on radio, television, or another media format. De minimis rule 1. If your gross receipts from a trade or business are \$25 million or less and less than 10% of the gross receipts are from the performance of services in a specified service field, then your trade or business isn't considered an SSTB, and thus may generate income eligible for the QBI deduction for the tax year, regardless of your taxable income. De minimis rule 2. If your gross receipts from the trade or business are more than \$25 million and less than 5% of the gross receipts are from the performance of services, then your trade or business isn't considered an SSTB, and thus may generate income eligible for the QBI deduction for the tax year, regardless of your taxable income. De minimis rule 3. If your trade or business provides services or property to an SSTB and there is 50% or more common ownership of the trades or businesses, that portion of the business that provides services or property to the SSTB is treated as a separate SSTB concerning the common owners. You must combine the QBI, W-2 wages, and UBIA of qualified property for all aggregated trades or businesses, for purposes of applying the W-2 wage and UBIA of qualified property limitations. Determining your QBI. Your QBI includes qualified items of income, gain, deduction, and loss from your trades or businesses that are effectively connected with the conduct of a trade or business in the United States. This includes qualified items from partnerships (other than PTPs), S corporations, sole proprietorships, and certain estates and trusts that are allowed in calculating your taxable income for the year. To figure the total amount of QBI, you must consider all items that are attributable to the trade or business. This includes, but isn't limited to, unreimbursed partnership expenses, business interest expense, deductible part of self-employment tax, self-employment insurance deduction, and contributions to qualified retirement plans. QBI doesn't include any of the following: Items that aren't properly included in income. Income that isn't effectively connected with the conduct of a trade or business within the United States (go to IRS.gov/ECI). Wage income (except "Statutory Employees" where Form W-2, box 13, is checked). Amounts received as reasonable compensation from an S corporation. Amounts received as guaranteed payments. Amounts received as payments by a partner for services other than in a capacity as a partner. Items treated as capital gains or losses under any provision of the Code. Dividends and dividend equivalents. Interest income not properly allocable to a trade or business. Commodities transactions or foreign currency gains or losses. Income, loss, or deductions from notional principal contracts. Annuities (unless received in connection with the trade or business). Qualified REIT dividends. Qualified PTP income. See the QBI Flow Chart, later, for figuring an item of income, gain, deduction, or loss included in QBI. Losses or deductions from a qualified trade or business that are suspended by other provisions of the Internal Revenue Code are not qualified losses or deductions and therefore, are not included in your QBI for the year. Such Code provisions include, but aren't limited to, sections 163(j), 179, 461(i), 465, 469, 704(d), and 1366(d). Instead, qualified losses and deductions are taken into account in the tax year they're included in calculating your taxable income. When losses or deductions are suspended, you must determine the qualified portion of the losses or deductions that must be included in QBI in subsequent years when allowed in calculating your taxable income. In general, losses and deductions incurred prior to 2018 are not qualified losses or deductions and are not included in QBI in the year they are included in calculating taxable income. If a loss or deduction is partially suspended, only the portion of the allowed loss or deduction attributable to QBI must be considered when determining QBI from the trade or business in the year the loss or deduction is incurred. The portion of the allowed loss or deduction attributable to QBI is determined by first calculating the percentage of the total loss or deduction that is attributable to QBI by the overall total loss. The allowed loss or deduction is then multiplied by this percentage to determine the portion of the allowed loss or deduction attributable to QBI. If your trade or business is an SSTB, whether the trade or business is a qualified trade or business is determined based on your taxable income in the year the loss or deduction is incurred. If your taxable income is within the phase-in range in that year, you must determine and apply the applicable percentage in the year the loss or deduction was incurred to determine the qualified portion of the suspended loss or deduction. Losses and deductions retain their status as either qualified or non-qualified from year to year while suspended. Therefore, you must track each category of loss or deduction until the loss or deduction is no longer suspended. For an example of a reasonable method to track and compute the amount of previously disallowed losses or deductions to be included in your QBI deduction calculation in the year allowed, see Tracking Losses or Deductions Suspended by Other Provisions, later. When losses or deductions previously suspended by other Code provisions are allowed in calculating taxable income, the qualified portion of the loss or deduction allowed under each provision is treated as a qualified net loss carryforward from a separate trade or business when calculating the current year's QBI deduction. Any qualified loss or deduction from an SSTB allowed in calculating taxable income isn't included on the Schedule A (Form 8995-A) as the applicable percentage was previously determined and applied in the year the loss or deduction was incurred and should not be redetermined in the year the loss or deduction is allowed. Determining whether items included on Schedule K-1 are includable in QBI. The amounts reported on your Schedule K-1 as "QBI/Qualified PTP Items Subject to Taxpayer-Specific Determinations" from a partnership, S corporation, estate, or trust aren't automatically includable in your QBI. To determine if the item of income, gain, deduction, or loss is includable in QBI, you must look to how it is reported on your federal income tax return. For example, ordinary business income or loss is generally included in QBI if it was used in computing your taxable income and you're not a partner, officer, or director of the partnership. Also, a section 1231 gain or loss is only reportable in QBI if it isn't capital gain or loss. See the QBI Flow Chart, later, to determine if an item of income, gain, deduction, or loss is includable in QBI. Determining your W-2 wages for limitation purposes. W-2 wages generally include amounts paid to employees for the performance of services, plus elective deferrals (for example, contributions to 401(k) plans, deferred compensation, and Roth IRA contributions). Amounts paid to statutory employees aren't W-2 wages when the "Statutory Employee" box on Form W-2, box 13, is checked. If you conduct more than one trade or business, the W-2 wages must be allocated among the various trades or businesses (or aggregated trades or businesses) to the trade or business that generated the wage expense. Also, only the W-2 wages properly allocable to QBI are includable. W-2 wages are properly allocable to QBI if the associated wage expense is taken into account in computing QBI. Before allocating W-2 wages among various trades or businesses (or aggregated trades or businesses) and/or allocating W-2 wages to QBI, first determine the total amount of W-2 wages. There are three methods to figure your W-2 wages. Unmodified box method. Modified box 1 method. Tracking wages method. Under the unmodified box method, W-2 wages are the smaller of: The sum of the amounts reported in box 1 of the relevant Forms W-2; or The sum of the amounts reported in box 5 of the relevant Forms W-2. Under the modified box 1 method, W-2 wages are figured as follows. Add the amounts reported in box 1 of the relevant Forms W-2. Add all amounts not considered wages, for federal income tax withholding purposes including, but not limited to: Supplemental unemployment compensation benefits within the meaning of Rev. Rul. 90-72, and Sick pay or annuity payments. Subtract (2) from (1). Add together any amounts reported in box 12 of the relevant Forms W-2 that are properly coded D, E, F, G, or S. Add (3) and (4). Under the tracking wages method, W-2 wages are figured as follows. Add the amounts that are wages for federal income tax withholding purposes and that are also reported in box 1 of the relevant Forms W-2. Add together any amounts reported in box 12 of the relevant Forms W-2 that are properly coded D, E, F, G, or S. Add (1) and (2). To figure your W-2 wages using one of the three methods above, generally use the sum of the amounts you properly report for each employee on Form W-2, Wage and Tax Statement, for the calendar year ending with or within your tax year. However, don't use any amounts reported on a Form W-2 filed with the Social Security Administration more than 60 days after its due date (including extensions). For purposes of determining W-2 wages for limitation purposes, fiscal year end trades or businesses include qualified amounts paid to employees for the calendar year ended with or within the business's tax year. Determining your UBIA of qualified property. For purposes of determining your UBIA for all qualified property, the unadjusted basis immediately after acquisition means the basis on the placed-in-service date. Qualified property includes tangible property subject to depreciation under section 167 held, and used in the production of QBI, by the trade or business (or aggregated trades or businesses) during and at the close of the tax year, for which the depreciable period hasn't ended before the close of the tax year. The depreciable period ends on the later of 10 years after the property is first placed in service by you or the last day of the full last year in the applicable recovery period under section 168(c). Additional first-year depreciation under section 168 doesn't affect the applicable recovery period. Improvements to property that has already been placed in service are treated as separate qualified property. For qualified replacement property acquired in a section 1031 exchange that's of a like-kind to the qualified relinquished property, or for qualified replacement property acquired in a section 1033 involuntary conversion that's similar or related in service or use to the qualified converted property, the UBIA of the qualified replacement property is the same as the UBIA of the qualified property exchanged, converted, decreased by excess boot, or increased by the amount of money paid or the fair market value of property transferred by the taxpayer that isn't of a like-kind or similar or related in service or use. Generally, replacement property retains the same placed-in-service date as that of the relinquished property. However, for the portion of the replacement property's UBIA that exceeds the relinquished property's UBIA, that portion is treated as separate qualified property placed in service on the date on which the replacement property is first placed in service. Generally, property received in a nonrecognition transaction (section 332, 351, 361, 721, or 731) retains the same UBIA and placed-in-service date as that of the transferor. However, for the portion of the transferor's UBIA that exceeds the transferor's UBIA, that portion is treated as separate qualified property placed in service on the date of the transfer. Property acquired within 60 days of the year end that's disposed of within 120 days without being used by the trade or business for at least 45 days is generally not qualified property. Your qualified REIT/PTP component equals 20% of your qualified REIT dividends and qualified PTP income or loss (including your share of qualified REIT dividends and qualified PTP income or loss from RPEs). Qualified REIT dividends include any dividend you received from a REIT held for more than 45 days and for which the payment isn't obligated to someone else and that isn't a capital gain dividend under section 857(b)(3) and isn't a qualified dividend under section 1(b)(11). Plus, your qualified REIT dividends include those received from a regulated investment company (RIC). Qualified PTP income(loss) includes your share of qualified items of income, gain, deduction, and loss from a PTP that is not treated as a corporation for federal income tax purposes. It may also include gain or loss recognized on the disposition of your PTP interest that isn't treated as a capital gain or loss. It doesn't include any loss or deduction disallowed in determining your taxable income for the year. Qualified REIT dividends are reported to you on Form 1099-DIV, Dividends and Distributions, box 5, Section 199A dividends. You may need to complete Schedule A, B, C, and/or D, as applicable, prior to starting Part I of the form. Complete Schedule A only if your trade or business is a SSTB and your taxable income is more than \$191,950 but not \$241,950 (\$383,900 and \$483,900 if married filing jointly). If your taxable income isn't more than \$191,950 (\$383,900 if married filing jointly) and you're not a partner in an agricultural or horticultural cooperative, don't file Form 8995-A. Instead, file Form 9995, Qualified Business Income Deduction Simplified Computation. Otherwise, complete Schedule D (Form 8995-A) before beginning Schedule A. If your taxable income is more than \$241,950 (\$483,900 if married filing jointly), your SSTB is treated as a qualified trade or business, and thus may generate income eligible for the QBI deduction. Exception 1. If your 2024 taxable income before the QBI deduction is more than \$383,900 but not more than \$483,900 if married filing jointly, you must complete Schedule B (Form 8995-A). An SSTB is any trade or business providing services in the fields of: Health, including physicians, pharmacists, nurses, dentists, veterinarians, physical therapists, psychologists, and other similar healthcare professionals. However, it excludes services not directly related to a medical services field, such as the operation of health clubs or spas; payment processing; or the research, testing, manufacture, and sale of pharmaceuticals or medical devices; Law, including lawyers, paralegals, legal arbitrators, mediators, and similar professionals. However, it excludes services that don't require skills unique to the field of law such as services by printers, delivery services, or stenography services; Accounting, including accountants, enrolled agents, return preparers, financial auditors, and similar professionals; Actuarial science, including actuaries, and similar professionals; Performing arts, including actors, singers, musicians, entertainers, directors, and similar professionals. However, it excludes services that don't require skills unique to the creation of performing arts, such as the maintenance and operation of equipment or facilities for use in the performing arts or the provision of services by persons who broadcast video or audio of performing arts to the public; Consulting, including persons providing clients with professional advice and counsel to assist in achieving goals and solving problems, and persons providing advice and counsel regarding advocacy with the intention of influencing decisions made by a government or governmental agency, and lobbyists attempting to influence legislators and other government officials on behalf of a client, and other similar professionals. However, it excludes the performance of services other than advice or counsel, such as sales or the provision of training and educational courses. It also excludes consulting services embedded in or ancillary to the activities of a trade or business that isn't an SSTB, if there is no separate payment for the consulting services. Athletics, including athletes, coaches, and team managers in sports such as baseball, basketball, football, soccer, hockey, martial arts, boxing, bowling, tennis, golf, skiing, snowboarding, track and field, billiards, racing, and other forms of athletic competition. However, it excludes services that don't require skills unique to athletic competition, such as the maintenance and operation of equipment or facilities for use in athletic events or the provision of services by persons who broadcast video or audio of athletic events to the public; Financial services, including persons managing clients' wealth, advising clients on finances, developing retirement plans, developing health transition plans, providing advisory and other similar services regarding valuations, mergers, acquisitions, dispositions, restructurings (including in title 11 or similar cases), and raising financial capital by underwriting, or acting as a client's agent in the issuance of securities and similar services. This includes services provided by financial advisors, investment bankers, wealth planners, retirement advisors, and other similar professionals. However, it excludes taking deposits or making loans, but does include arranging lending transactions between a lender and borrower; Brokerage services, including persons who arrange transactions between a buyer and a seller of securities for a commission or fee such as stock brokers and other similar professionals. However, it excludes services provided by real estate agents and brokers, or insurance agents and brokers; Investing and investment management, including persons providing, for a fee, investing, asset management, or investment management services, including providing advice on buying and selling investments. However, it excludes the service of directly managing real property; Trading, including persons who trade in securities (as defined in section 475(c)(2)), commodities (as defined in section 475(e)(2)), or partnership interests; Dealership securities (as defined in section 475(c)(2)), commodities (as defined in section 475(e)(2)), or partnership interests; and Any trade or business where the principal asset is the reputation or skill of one or more of its employees or owners, as demonstrated by: - Receiving fees, compensation, or other income for endorsing products or services; - Licensing or receiving fees, compensation, or other income for the use of an individual's image, likeness, name, signature, voice, trademark