



FN 1 - If the taxpayer's taxable income exceeds \$315,000 for taxpayer's married filing jointly or \$157,500 for single filers then the deduction will be phased out by the amount the taxpayer's taxable income exceeds the above amounts divided by \$100,000 for taxpayer's married filing jointly or \$157,500 for single filers.

FN 2 - The Limitation Amount is equal to the greater of (1) 50% of the W-2 wages with respect to the qualified trade or business or (2) the sum of 25% of the W-2 wages with respect to the qualified trade or business plus 2.5% of the unadjusted basis immediately after the acquisition of all qualified property.

FN 3 - If the Limitation amount in FN 2 above is greater than 20% of the taxpayer's qualified business income then the phase out will not apply.

If the Limitation Amount is less than 20% of the taxpayer's qualified business income then the phase out applies. The amount equal to 20% of the taxpayer's qualified business income will be reduced by the amount that the taxpayer's taxable income exceeds \$315,000 divided by \$100,000 for taxpayers married filing jointly or by the amount the taxpayer's income exceeds \$157,500 divided by \$50,000 for single filers multiplied by the difference in 20% of the taxpayer's qualified business income and the Limitation Amount.

For example, if B, a single taxpayer, has taxable income of \$167,500, qualified business income of \$120,000 and W-2 wages of \$40,000 then the phase out will apply because 20% of B's qualified business income (\$24,000) is greater than the Limitation Amount (\$20,000). Therefore B's Combined Qualified Business Income Amount must be reduced by \$800.