

Section 199A Deduction Decision Tree

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Remember that taxable income is all income for the household, and the following numbers are the “base” numbers for 2018 but indexed annually. Simply put, these numbers represent the top of the 24% marginal tax bracket.

Specified Service Trade or Business (as defined above)-

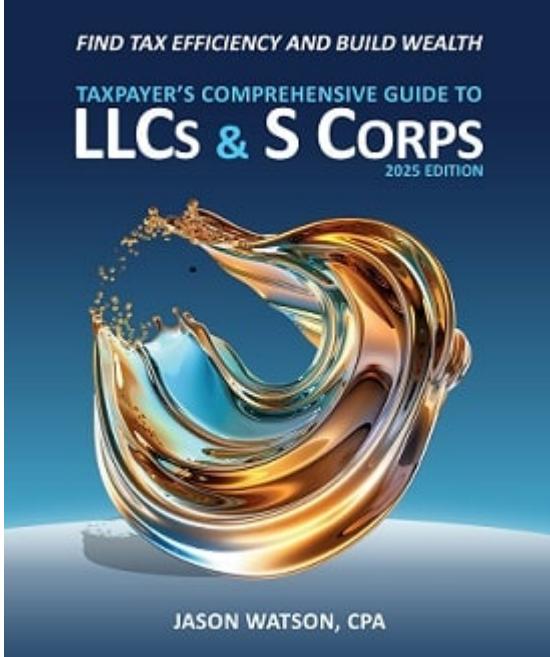
- If taxable income is less than \$157,500 (single) / \$315,000 (married) then the 20% deduction for your pass-through entity is fully available.
- If taxable income is greater than \$157,500 / \$315,000 but less than \$207,500 / \$415,000 then a partial deduction is available. The phase-in of the limit is linear.
- If taxable income is greater than \$207,500 / \$415,000 then you are hosed. Sorry. Hosed is a technical term accountants often use to illustrate an untenable situation.

All Others-

- If taxable income is less than \$157,500 / \$315,000 then the 20% deduction is fully available.
- If taxable income is greater than \$157,500 / \$315,000 but less than \$207,500 / \$415,000 then a partial deduction is available with the W-2 and depreciable asset limit calculations phase in.
- If taxable income is greater than \$207,500 / \$415,000 then the 20% deduction is compared to the full W-2 and depreciable asset limit calculations (see Betty in an earlier chapter).

As mentioned earlier, we will show you examples and side-by-side comparisons in the next chapter. We have Fred, Barney, Hot Shot Surgeon, Goat Herder, and all kinds of nonsense.

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Taxpayer's Comprehensive Guide to LLCs and S Corps 2025 Edition

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