

Qualified Business Income (QBI) Example

Larry's 2018 Form 1040:

Schedule F farming income	\$125,000
Capital gains income	\$ 21,000
Pam's (spouse) crafts income	\$ 4,000
SE tax deduction {(\$125,000 x .9235) x .153 x 0.5}	\$<8,831>
AGI	\$141,169
Standard Deduction	\$<24,000>
Taxable Income before QBI deduction	\$117,169

Larry can treat all of his farm income as QBI. His QBI deduction will be \$23,434, which is the **lesser** of 20% of \$117,169 or the \$125,000 @20% which was higher at \$25,000.