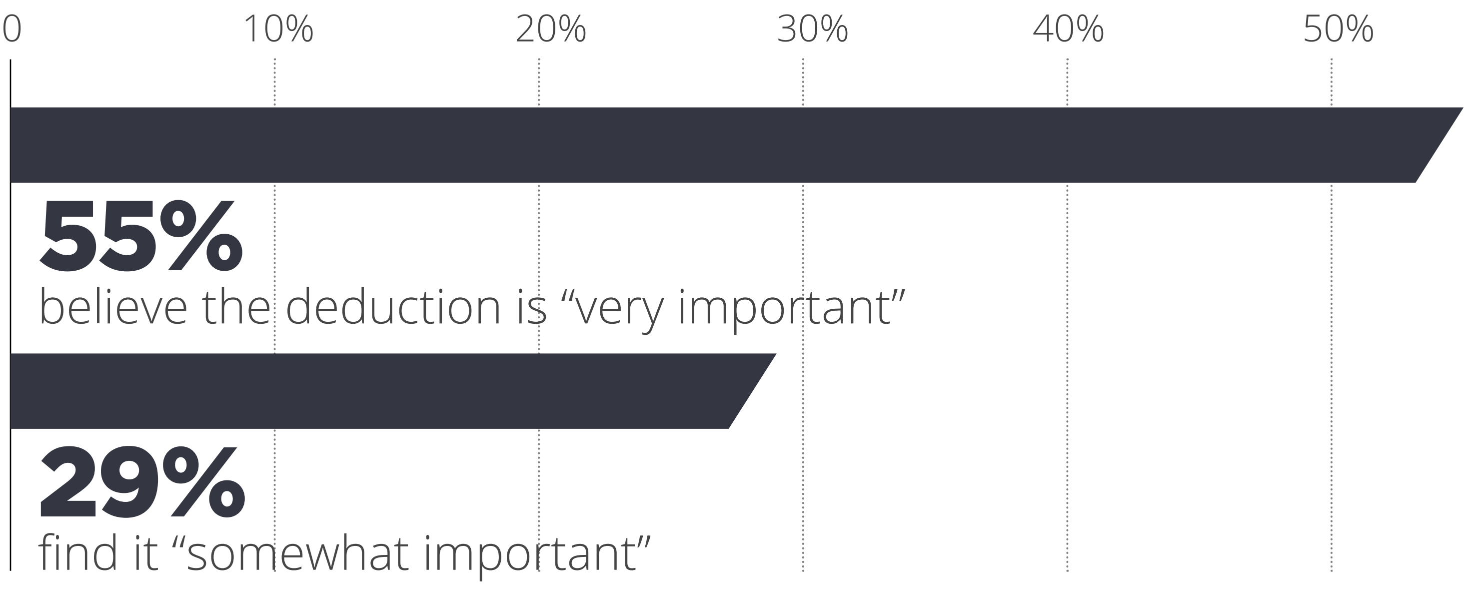
What is the 20 Percent Small Business Deduction?

The 20 percent deduction for pass-through entities, one of the key provisions in the Tax Cuts and Jobs Act, means big savings for small business.

The majority of small business owners who are familiar with the 20 percent deduction say it's crucial for their companies.



WHAT IS THE DEDUCTION?

The new Section 199A allows small businesses that are organized as pass-throughs to deduct 20 percent of their qualified business income from an S-Corporation, LLC, sole proprietorship, or partnership.

What is qualified business income?

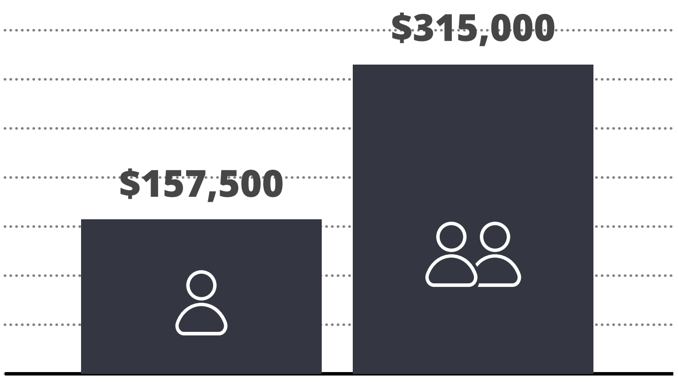
Taxable income generated from a qualified pass-through business. This means the net amount of qualified items of income, gain, deduction, and loss with respect to the trade or business of the taxpayer.

What doesn't qualify as business income?

Capital gains and losses, reasonable compensation, certain dividends, and interest income.

WHO BENEFITS?

Owners of pass-through entities, regardless of industry, are eligible for the full 20 percent deduction up to $157,500 individual/$315,000 joint in taxable income.



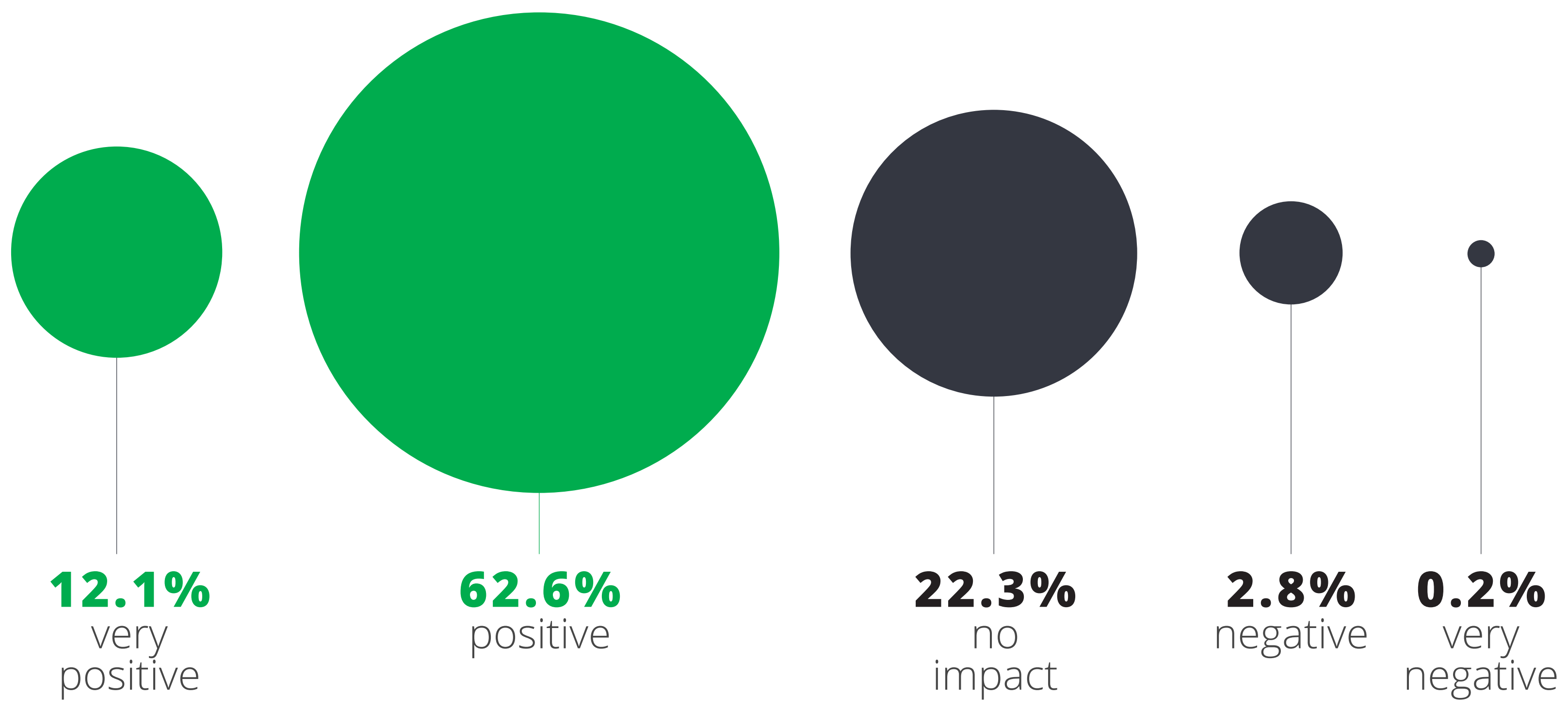
If a small business owner's income exceeds the above thresholds:

1. **For an owner of a specified service trade or business (SSTB),** the deduction phases out from $157,500 to $207,500 for individual filers and $315,000 to $415,000 for joint filers. The deduction fully phases out at $207,500 individual/$415,000 joint filers.

2. **For an owner in any other business type,** the deduction is limited to 50 percent of W-2 wages paid by the business and the unadjusted basis of certain property used by the business.

WHAT SMALL BUSINESSES SAY

Most owners think tax reform will have a positive effect on their business.



> "Tax reform is twofold for our small business because the 20 percent deduction allows us greater revenues without additional tax liabilities, and in turn we will spend that extra revenue locally. This tax reform helps our customers also, and the business climate for contractors, suppliers, and vendors like us is just off-the-charts positive right now!"
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> —**NFIB member Angela Gibson,** Utility Trench Technology, Spokane, Washington

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