

## “Qualified business income” IRC § 199A

- Deduction for 20% of “qualified business income” (business profit)
  - Not wages
- If taxable income > threshold, restrictions
  - Threshold = \$191,950 or \$383,900
  - “Specified service businesses” ineligible (e.g., law, medical, acct’g)
  - Other businesses: Deduction limited based on payroll or property
  - Gradual “phaseout” over \$50K or \$100K above threshold

## Depreciation-Based Tax Shelter

	<i>Depreciation deduction</i>	<i>Rental income</i>	<i>Operating profit (loss)</i>
2024	\$20,000	\$ 5,000	(\$15,000)
2025	\$26,667	\$19,000	(\$ 7,667)
2026	\$ 8,889	\$19,000	\$10,111
2027	\$ 4,444	\$19,000	\$14,556
2028	-0-	\$19,000	\$19,000
2029	-0-	\$14,000	\$14,000
<i>Total</i>	<i>\$60,000</i>	<i>\$95,000</i>	<i>\$35,000</i>

### With Section 179 Expensing

	<i>Depreciation deduction</i>	<i>Rental income</i>	<i>Operating profit (loss)</i>
2024	\$60,000	\$ 5,000	(\$55,000)
2025	-0-	\$19,000	\$19,000
2026	-0-	\$19,000	\$19,000
2027	-0-	\$19,000	\$19,000
2028	-0-	\$19,000	\$19,000
2029	-0-	\$14,000	\$14,000
<i>Total</i>	<i>\$60,000</i>	<i>\$95,000</i>	<i>\$35,000</i>

## IRC § 469

“Passive activity” - IRC § 469(c)

- Trade or business in which taxpayer does not materially participate
  - Example: limited partner - IRC § 469(h)
- Any rental activity
  - Exception: “Mom and Pop” active rental - IRC § 469(i)
  - Exception: Real estate professionals - IRC § 469(c)(7)