



DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

SMALL BUSINESS/SELF-EMPLOYED DIVISION

September 28, 2022

Control Number: SBSE-04-0922-0074  
Expiration Date: December 31, 2023  
Impacted IRM: 4.12.1, 4.19.15 and 4.19.17

MEMORANDUM FOR DIRECTOR, FIELD EXAMINATION  
DIRECTOR, CAMPUS EXAMINATION

FROM: Lori L. Caskey /s/ *Lori L.*  
Director, SB/SE Examination-Field and Campus Policy

SUBJECT: Reissue Interim Guidance Memorandum SBSE-04-1221-0068; Formerly SBSE-04-1219-0054, for the Qualified Business Income Deduction on a Substitute for Return

This memorandum reissues guidance for the Qualified Business Income (QBI) Deduction on a Substitute for Return (SFR) prepared under IRC section 6020(b). See IRM 4.12.1.8.2.1, IRC 6020(b). Please distribute this information throughout your organization.

**Purpose and Background:** Reissue Interim Guidance Memorandum (IGM) SBSE-04-1221-0068, dated December 8, 2021 (formally issued as SBSE-04-1219-0054, dated December 9, 2019), which provided guidance for the Qualified Business Income (QBI) Deduction on a Substitute for Return (SFR).

**Procedural Change:** Depending on the taxpayer's taxable income, the QBI deduction is subject to multiple limitations including the type of trade or business, the amount of W-2 wages paid by the trade or business, and the unadjusted basis immediately after acquisition (UBIA) of qualified publicly traded partnership loss carried forward from prior years must be considered. Therefore, while a taxpayer may be entitled to claim a QBI deduction on a filed return, the Service will not allow the QBI deduction on an SFR prepared under IRC section 6020(b).

If a taxpayer subsequently files a delinquent tax return that includes a QBI deduction, the Service will consider the deduction following the same policies for other items included on the filed return. See Attachment SBSE-04-0922-0074, Qualified Business Income (QBI) Deduction on a Substitute for Return (SFR), for guidance specific to Field Examination and IRM 4.12.1.

**Effective Date:** This guidance is effective immediately and will be incorporated into IRM 4.12.1, Non-filed Returns, and IRM 4.19.15, Discretionary Programs, by December 31, 2023.

**Contact:** Cathy Demetra, Program Manager, Examination – Field and Campus Policy, Field Exam General Processes.

Distribution:

[IRS.gov \(https://www.irs.gov\)](https://www.irs.gov)

**Attachment: SBSE-04-0922-0074, Qualified Business Income (QBI) Deduction on a Substitute for Return (SFR)**

**IRM 4.12.1.X, (MM-DD-YYYY)**

**Qualified Business Income (QBI) Deduction on a Substitute for Return (SFR)**

1. A Qualified Business Income (QBI) deduction will not be allowed on a Substitute for Return (SFR) prepared under IRC section 6020(b).
2. If a taxpayer subsequently files a signed delinquent tax return reporting a QBI deduction, the deduction will be considered following the guidance in IRM 4.12.1.9, Examination of a Secured Delinquent Return.