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Almost every form and publication has a page on IRS.gov with a friendly shortcut. For example, the Form 1040 page is at IRS.gov/Form1040; the Pub. 501 page is at IRS.gov/Pub501; the Form W-4 page is at IRS.gov/W4; and the Schedule A (Form 1040/SR) page is at IRS.gov/ScheduleA. If typing in a link above instead of clicking on it, be sure to type the link into the address bar of your browser, not a Search box.

If you wish, you can submit comments to the IRS about draft or final forms, instructions, or publications at IRS.gov/FormsComments. We cannot respond to all comments due to the high volume we receive and may not be able to consider many suggestions until the subsequent revision of the product.

If you have comments on reducing paperwork and respondent (filer) burden, with respect to draft or final forms, please respond to the relevant information collection through the Federal Register process; for more info, click here.
Qualified Business Income Deduction Simplified Computation

Future Developments
For the latest information about developments related to Form 8995 and its instructions, such as legislation enacted after they were published, go to IRS.gov/Form8995.

What’s New
A method to track losses or deductions suspended by other provisions. A worksheet is added to provide a reasonable method to track and compute your previously disallowed losses or deductions to be included in your qualified business income deduction calculation for the year allowed. See Tracking Losses or Deductions Suspended by Other Provisions, later.

General Instructions
Purpose of Form
Use Form 8995 to figure your qualified business income (QBI) deduction. Individual taxpayers and some trusts and estates may be entitled to a deduction of up to 20% of their net QBI from a trade or business, including income from a pass-through entity, but not from a C corporation, plus 20% of qualified real estate investment trust (REIT) dividends and qualified publicly traded partnership (PTP) income. However, your total QBI deduction is limited to 20% of your taxable income, calculated before the QBI deduction, minus net capital gain.

Who Can Take the Deduction
Individuals and eligible estates and trusts that have QBI use Form 8995 to figure the QBI deduction if:
- You have QBI, qualified REIT dividends, or qualified PTP income or loss (all defined later),
- Your 2020 taxable income before your QBI deduction is less than or equal to $163,300 if single, head of household, qualifying widow/wor, or are a trust or estate ($326,600 if married filing jointly), and
- You aren’t a patron in a specified agricultural or horticultural cooperative.

Otherwise, use Form 8995-A, Qualified Business Income Deduction, to figure your QBI deduction.

S corporations and partnerships. S corporations and partnerships aren’t eligible for the deduction, but must pass through to their shareholders or partners the necessary information on an attachment to Schedule K-1 to help them figure their deduction. See the Instructions for Form 1120-S, U.S. Income Tax Return for an S Corporation, and Form 1065, U.S. Return of Partnership Income.

Cooperatives. Cooperatives aren’t eligible for the deduction. Instead, cooperatives must provide the necessary information to their patrons on Form 1099-PATR or an attachment to help eligible patrons figure their deduction. Certain agricultural or horticultural cooperatives may qualify for a deduction under section 199A(g). See the Instructions for Form 1120-C, U.S. Income Tax Return for Cooperative Associations, for rules applicable to agricultural and horticultural cooperatives.

Estates and trusts. To the extent that a grantor or another person is treated as owning all or part of a trust or estate, the owner will compute its QBI for the owned part of the trust as if that QBI had been received directly by the owner. Generally, a non-grantor trust or estate may either claim the QBI deduction or provide information to their beneficiaries to help the beneficiaries figure their deduction. In determining the QBI deduction or the information that must be provided to beneficiaries, the estate or trust allocates QBI items based on the relative proportion of the estate’s or trust’s distributable net income (DNI) for the tax year distributed (or required to be distributed) to the beneficiary or retained by the estate or trust. If the estate or trust has no DNI for the tax year, QBI, W-2 wages, and unadjusted basis immediately after acquisition (UBIA) of qualified property are allocated entirely to the estate or trust.

Although estates and trusts may compute their own QBI deduction, to the extent QBI, W-2 wages, and UBIA of qualified property is allocable to the estate or trust, QBI, W-2 wages, and UBIA of qualified property allocated to beneficiaries aren’t includible in the estate’s or trust’s QBI computation. See the Instructions for Form 1041, U.S. Income Tax Return for Estates and Trusts.

Electing Small Business Trusts (ESBT). An ESBT must compute the QBI deduction separately for the S and non-S portions of the trust. Form 8995 used to compute the S portion’s QBI deduction must be attached as a PDF to the ESBT tax worksheet filed with Form 1041. When attached to the ESBT tax worksheet, the trust must show that the information is applicable to the S portion only, by writing “ESBT” in the top margin of the Form 8995. See the Instructions for Form 1041.

Determining Your Qualified Trades or Businesses
Your qualified trades and businesses include your trades or businesses for which you’re allowed a deduction for ordinary and necessary business expenses under section 162. However, trades or businesses conducted by corporations and the performance of services as an employee aren’t qualified trades or businesses. Generally, specified service trades or businesses (SSTBs) aren’t qualified trades or businesses. However, all or a part of the SSTB may be a qualified trade or business if your taxable income is at or below the threshold or within the phase-in range.

An activity qualifies as a trade or business if your primary purpose for engaging in the activity is for income or profit and you’re involved in the activity with continuity and regularity. If you own an interest in a pass-through entity, the trade or business determination is made at that entity’s level. Material participation under section 469 isn’t required for the QBI deduction. Eligible taxpayers with income from a trade or business may be entitled to the QBI deduction if they otherwise satisfy the requirements of section 199A.

The ownership and rental of real property may constitute a trade or business if it meets the standard described above. Also, Revenue Procedure 2019-38 provides a safe harbor under which a rental real estate enterprise will be treated as a trade or business for purposes of the QBI deduction. Rental real estate that doesn’t meet the requirements of the safe harbor may still be treated as a trade or business for purposes of the QBI deduction if it’s a section 162 trade or business.

The rental or licensing of property to a commonly controlled trade or business operated by an individual or a
services are the same or that are customarily offered together.

You must combine the QBI, W-2 wages, and UBIA of qualified property for purposes of section 199A. However, you may choose to aggregate multiple trades or businesses into a single trade or business for purposes of figuring your deduction, if you meet the following requirements.

1. You or a group of persons directly or indirectly own 50% or more of each trade or business for majority of the tax year, including the last day of the tax year, and all trades or businesses use the same tax year end.

2. None of the trades or businesses are an SSTB, and

3. The trades or businesses meet at least two of the following factors.

a. They provide products, property, or services that are the same or that are customarily offered together.

b. They share facilities or share significant centralized business elements such as personnel, accounting, legal, manufacturing, purchasing, human resources, or information technology resources.

c. They are operated in coordination with, or reliance on, one or more of the businesses in the aggregated group.

If a relevant pass-through entity (RPE) aggregates multiple trades or businesses, you may not separate the trades or businesses aggregated by the RPE, but you may add additional trades or businesses to the aggregation, assuming the rules above are met.

If you choose to aggregate multiple trades or businesses, including or apart from any aggregations made by an RPE, complete Schedule B (Form 8995-A) before starting Part I of Form 8995-A. You must attach any RPE aggregation statement(s) to your Schedule B (Form 8995-A).

If you’re not making an aggregation election and are therefore not required to file a Schedule B (Form 8995-A), attach your RPE’s aggregation statement(s), to your Form 8995-A.

Your aggregations must be reported consistently for all subsequent years, unless there is a significant change in facts and circumstances that disqualify the aggregation.

Note. You must combine the QBI, W-2 wages, and UBIA of qualified property for all aggregated trades or businesses, for purposes of applying the W-2 wages and UBIA of qualified property limits. However, these limits won’t apply until your income, before the QBI deduction, is more than the threshold. If your income is more than the threshold, you must use Form 8995-A.

Determining Your Qualified Business Income

Your QBI includes items of income, gain, deduction, and loss from your trades or businesses that are effectively connected with the conduct of a trade or business in the United States. This includes income from partnerships (other than PTPs), S corporations, sole proprietorships, certain estates and trusts that are included or allowed in figuring your taxable income for the year. To figure the total amount of QBI, you must consider all items that are related to the trade or business. This includes, but isn’t limited to, unreimbursed partnership expenses, business interest expense, deductible part of self-employment tax, self-employment health insurance deduction, and contributions to qualified retirement plans. QBI doesn’t include any of the following.

• Items that aren’t properly included in income.

• Income that isn’t effectively connected with the conduct of a trade or business within the United States (go to IRS.gov/ECI).

• Wage income (except “Statutory Employees” where Form W-2, box 13 is checked).

• Amounts received as reasonable compensation from an S corporation.

• Amounts received as guaranteed payments.

• Amounts received as payments by a partner for services other than in a capacity as a partner.

• Items treated as capital gains or losses under any provision of the Internal Revenue Code (Code).

• Dividends and dividend equivalents.

• Interest income not properly allocable to a trade or business.

• Commodities transactions or foreign currency gains or losses.

• Income, loss, or deductions from notional principal contracts.

• Annuities (unless received in connection with the trade or business).

• Qualified REIT dividends.

• Qualified PTP income.
See the QBI Flow Chart, later to figure if an item of income, gain, deduction, or loss is included in QBI.

**Note.** Your QBI doesn’t include any losses or deductions that are limited or suspended and not included or allowed in determining your taxable income for the year. Examples include, but aren’t limited to, section 179 deduction limitations and losses limited by basis, at-risk, passive loss, or section 461(l), and excess business loss limitations. Instead, these losses and deductions are taken into account in the tax year they’re included in determining your taxable income. Loss and deduction items that were generated prior to 2018, that are included in income during the year, aren’t included in QBI.

When losses or deductions from a trade or business are suspended under any provision of the Code and not available for use in calculating taxable income in the year generated, you must determine the portion of the losses includible in QBI in subsequent years. If your trade or business is an SSTB, the determination of whether it’s a qualified trade or business based on your taxable income is made in the year the loss is incurred. If your income is within the phase-in range in that year, you must determine the applicable percentage of suspended losses or deductions includible in QBI. The losses continue their status as either items of QBI or non-QBI for all subsequent years. Therefore, you must track each category of loss or deduction (for example, section 465, 469, 1366, etc.) from year to year until the loss is included in taxable income.

**Note.** For an example of a reasonable method to track and compute the amount of previously disallowed losses or deductions to be included in your qualified business income deduction calculation in the year allowed, see Tracking Losses or Deductions Suspended by Other Provisions, later.

Each category’s portion of loss allowed in calculating taxable income is treated as qualified business net loss carryforward (Form 8995, line 3, or Schedule C (Form 8995-A), line 2) in calculating the current year’s QBI deduction.

Any suspended qualified business net loss carryforward from an SSTB, when allowed in subsequent years, won’t be included on the Schedule A (Form 8995-A).

**Determining if items included on Schedule K-1 are included in QBI.** The amounts reported on your Schedule K-1 as “QBI/Qualified PTP Items Subject to Taxpayer-Specific Determinations” from a partnership, S corporation, estate, or trust aren’t automatically included in your QBI. To figure if the item of income, gain, deduction, or loss is included in QBI, you must look to how it’s reported on your federal income tax return. For example, ordinary business income or loss is generally included in QBI if it was used in computing your taxable income, not excluded, suspended, or disallowed under any other section of the Code. Also, a section 1231 gain or loss is only includible in QBI if it isn’t capital gain or loss. See the QBI Flow Chart, below to figure if an item of income, gain, deduction, or loss is included in QBI.

**Determining if information reported on Form 1099-PATR is included in QBI.** The amounts reported to you as your share of patronage dividends and similar payments on Form 1099-PATR aren’t automatically included in your QBI. Payments may be included in QBI to the extent they are (1) related to your trade or business, (2) reported to you by the cooperative as qualified income items on an attachment to Form 1099-PATR, and (3) not payments reported as from an SSTB, unless your taxable income is at or below the threshold, in which case payments from SSTBs are included in your QBI.

If you received qualified payments reported to you on Form 1099-PATR from a specified agricultural or horticultural cooperative, you must reduce your QBI by the patron reduction and use Form 8995-A to compute your QBI deduction.

**Determining if items on Schedule C (Form 1040) are included in QBI.** The net gain or loss reported on your Schedule C (Form 1040) isn’t automatically included in your QBI. see the QBI Flow Chart, later to figure if an item of income, gain, deduction, or loss is included in QBI.

**Determining Your Qualified REIT Dividends and Qualified PTP Income/Loss**

Qualified REIT dividends include any dividends you received from a REIT held for more than 45 days and for which the payment isn’t obligated to someone else and that isn’t a capital gain dividend or qualified dividend, plus your qualified REIT dividends received from a regulated investment company (RIC). This amount is reported to you on Form 1099-DIV, line 5.

Qualified PTP income or loss includes your share of qualified items of income, gain, deduction, and loss from a PTP. It also may include gain or loss recognized on the disposition of your partnership interest that isn’t treated as a capital gain or loss.

**Note.** PTP income generated by an SSTB may be limited to the applicable percentage or excluded if your taxable income exceeds the threshold, in which case you may need to complete Part II of Schedule A (Form 8995-A). See the Instructions for Form 8995-A for more information.

**Specific Instructions**

**Line 1**

If you aggregated multiple trades or businesses into a single business, enter the aggregation group name. For example, Aggregation 1, 2, 3, etc., instead of entering the business name, and leave line 1(b) blank.

**Note.** If you aggregated trades or businesses, you must attach Schedule B (Form 8995-A) or similar schedule.

If you’re relying on the safe harbor contained in Revenue Procedure 2019-38, enter each enterprise as identified on the statement required for use on the safe harbor. For example, Enterprise 1, 2, 3, etc.

Enter on line 1(b) the employer identification number (EIN). If you don’t have an EIN, enter your social security number (SSN) or individual taxpayer identification number (ITIN). If you’re the sole owner of an LLC that isn’t treated as a separate entity for federal income tax purposes, enter the EIN given to the LLC. If you don’t have an EIN, enter the owner’s name, and tax identification number.

**Line 2**

If you have more than five trades or businesses, attach a statement with the name and taxpayer identification number of the trade(s) or business(es) and include the income and loss from those trade(s) or business(es) in the total for line 2.

**Line 3**

Include prior year qualified loss carryforwards even if the loss was unreported or the trade or business that generated the loss is no longer in existence. Also, include the QBI portion of losses or deductions suspended from use in calculating taxable income in the year generated that are included in taxable income in the current year. See Determining Your Qualified Business Income, earlier, and Tracking Losses or Deductions Suspended by Other Provisions, later.

**Line 4**

If you have a qualified business net loss for the year, you don’t qualify for the QBI deduction unless you have qualified REIT dividends or PTP income. The loss will be carried forward to next year. This carryforward doesn’t affect the deductibility of the loss for purposes of any other provisions of the Code.
Line 6
Enter income as a positive number and losses as a negative number.

Line 8
Any negative amount will be carried forward to the next year. This carryforward doesn’t affect the deductibility of the loss for purposes of any other provisions of the Code.

Line 11
Enter your taxable income figured before any QBI deduction, computed as follows.
• Form 1040, 1040-SR, or 1040-NR filers: Form 1040, 1040-SR, or 1040-NR, line 11, minus Form 1040, 1040-SR, or 1040-NR, line 12.
• Form 1041 filers: Form 1041, line 23, plus Form 1041, line 20.
• Form 1041-N filers: Form 1041-N, line 13, plus qualified income deduction reported on Form 1041-N, line 9.
• Form 990-T filers: Form 990-T, Part I, line 11, plus Form 990-T, Part I, line 9.
• S-corporation portion of an ESBT filers: ESBT Tax Worksheet, line 13, plus ESBT Tax Worksheet, line 11.

Line 12
Enter the amount from your tax return as follows.
• Form 1040, 1040-SR, or 1040-NR, line 3a, plus your net capital gain. If you’re not required to file Schedule D (Form 1040), your net capital gain is the amount reported on Form 1040, 1040-SR, or 1040-NR, line 7. If you file Schedule D (Form 1040), your net capital gain is the smaller of Schedule D (Form 1040), line 15 or 16, unless line 15 or 16 is zero or less, in which case nothing is added to the qualified dividends.
• Form 1041, line 2b(2), plus your net capital gain. For estates or trusts required to file Schedule D (Form 1041), add the qualified dividends to the smaller of Schedule D (Form 1041), line 18a(2), or line 19(2), unless either line 18a(2) or 19(2) is zero or less, in which case nothing is added to the qualified dividends.
• Form 1041-N, line 2b, plus the smaller of Form 1041-N, Schedule D, line 10 or 11, unless line 10 or 11 is zero or less, in which case nothing is added to the qualified dividends.
• Form 990-T filers who are trusts, Schedule D (Form 1041), the smaller of line 18(a)(2) or 19(2), unless either line 18(a)(2) or 19(2) is zero or less, in which case the net capital gain for purposes of section 199A is zero.
• S-corporation portion of an ESBT, your ESBT Tax Worksheet, line 2b, plus the smaller of your ESBT’s Schedule D (Form 1041), line 18a(2) or 19(2) is zero or less, in which case nothing is added to your qualified dividends.

Line 15
Enter this amount on your Form 1040 or 1040-SR, line 13; Form 1040-NR, line 13a; Form 1041, line 20; Form 1041-N, line 9; Form 990-T, line 9; S-corporation portion of an ESBT, line 11.

Line 16
This is the amount to be carried forward to the next year. This amount will offset QBI in later tax years regardless of whether it’s reported and the trade or business that generated the loss is still in existence. This carryforward doesn’t affect the deductibility of the loss for purposes of any other provisions of the Code.

Line 17
If the amount is more than zero, the loss must be carried forward to next year. This amount will offset REIT dividends and PTP income in later tax years regardless of whether it’s reported and the trade or business that generated the loss is still in existence. This carryforward doesn’t affect the deductibility of the loss for purposes of any other provisions of the Code.

CAUTION

A worksheet, QBI Loss Tracking Worksheet, is provided below that can help you track your suspended losses.
QBI Flow Chart

Figure 1. Use this chart to determine if an item of income, gain, deduction, or loss is included in QBI.

1. Is the item effectively connected with the conduct of a trade or business within the U.S.?
   - Yes: Proceed to 2.
   - No: Proceed to 3.

2. Is the item from a trade or business (this includes general business income and deduction items as well as deductible tax on self-employment income, self-employed health insurance, contributions to qualified retirement plans, unreimbursed partnership expenses, interest expenses for the purchase of the partnership/S corporation interest/stock)?
   - Yes: Proceed to 4.
   - No: Proceed to 3.

3. If the item is from a pass-through entity (partnership, S corporation, or trust) and the character of the item can’t be determined at the entity level (section 1231 gains/losses, involuntary conversions, interest from debt financed distributions, etc.), did you determine the item to be ordinary (not capital or personal)?
   - Note: If the item isn’t from a pass-through entity and it doesn’t require a determination at the investor level, skip this test.
   - Yes: Proceed to 5.
   - No: Proceed to 3.

4. Is the item included in figuring your taxable income? Items disallowed or limited, including the basis, at-risk, passive loss, or excess business loss rules, aren’t included in QBI until the year included in taxable income.
   - Yes: Proceed to 6.
   - No: Proceed to 3.

5. Is the item treated as a capital gain (loss) or dividend/dividend equivalent?
   - Yes: Proceed to 7.
   - No: Proceed to 6.

6. Is the item interest income other than interest income allocable to a trade or business? Note: Interest income from an investment of working capital, reserves, or similar accounts isn’t allocable to a trade or business.
   - Yes: Proceed to 9.
   - No: Proceed to 8.

7. Is the item an annuity, other than an annuity received in connection with the trade or business?
   - Yes: Proceed to 10.
   - No: Proceed to 9.

8. Is the item a commodities transaction, foreign currency gain (loss) described in section 954(c)(1)(C) or (D), or from a notional principal contract under section 954(c)(1)(F)?
   - Yes: Proceed to 10.
   - No: Proceed to 9.

9. Is the item income (loss) from a qualified PTP? If “Yes,” it’s not QBI, but it’s included in the REIT/PTP component of the QBI computation. Include this item as a qualified item of income, gain, deduction, or loss from a PTP.
   - Yes: Proceed to 10.
   - No: Proceed to 10.

10. Is the item W-2 wage income (except “Statutory Employees” where Form W-2, box 13, is checked)?
    - No: See Figure 2, QBI Flow Chart (continued).
    - Yes: This item isn’t QBI.
QBI Flow Chart (continued)

Figure 2. Use this chart to determine if an item of income, gain, deduction, or loss is included in QBI.

11. Is the item an amount received for reasonable compensation from an S corporation, an amount received as a guaranteed payment, or a payment received for services other than in a capacity as a partner under section 707(a)?

No

12. Is the item related to an SSTB?

Yes

No

13. Is your taxable income at or below the threshold?

Yes

No

14. Is your taxable income above the threshold and within the phase-in range? If “Yes,” this item is partially includible in QBI. Use Form 8995-A, instead, and complete Schedule A (Form 8995-A).

Yes

No

This item is QBI.

This item isn’t QBI.
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<tr>
<th>Code</th>
<th>Enter the Code section limiting your loss</th>
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### Part I  Suspended & Allowed Losses

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<th>B. QBI fixed percentage</th>
<th>C. Prior year suspended losses allowed</th>
<th>D. Allowed losses limited by other Code sections</th>
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<tbody>
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### Part II  Non-QBI Suspended and Allowed Losses

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<td>5. Total</td>
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<td>6. Allocation of allowed losses limited by other Code sections</td>
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### Part III  QBI Suspended and Allowed Losses

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<td>7. Total prior year suspended losses allowed that must be included in QBI</td>
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Specific Instructions

**Notes.** All losses should be entered as a negative number on the worksheet.

**Column A—Total suspended losses in year of disallowance.** For rows 1 through 4, enter your suspended losses by year starting with any pre-2018 losses. Additional rows can be added as needed in future years. Allocate these losses between Non-QBI and QBI in columns E and I, see below.

**Column E—Non-QBI suspended losses.** For rows 1 through 4, enter suspended losses allocable to Non-QBI into the appropriate year row (i.e. row 1, pre-2018; row 2, 2018; row 3, 2019, etc.).

**Column I—QBI suspended losses.** For rows 2 through 4, enter suspended losses allocable to QBI into the appropriate year row (i.e. row 2, 2018; row 3, 2019, etc.).

**Column B—QBI fixed percentage.** Divide column I by column A for each year and enter the percentage in the corresponding row.

**Column C—Prior year suspended losses allowed.** For rows 2 through 4, enter any prior year suspended losses allowed in the corresponding row for the year allowed.

**Notes.** The total prior year suspended losses allowed entered in column C row 5 can’t exceed total amount entered in column A row 5.

**Column F—Non-QBI allocated prior year suspended losses allowed and Column J, QBI allocated prior year suspended losses allowed.** When allocating prior year suspended losses allowed (column C) between Non-QBI (column F) and QBI (column J), the First-In-First-Out (FIFO) method must be used. To apply this rule, prior year suspended losses allowed must first be allocated to any losses suspended from pre-2018 years, 2017, and earlier, (row 1) until the pre-2018 losses are exhausted. All prior year suspended losses allowed allocated to pre-2018 years are Non-QBI. Once all pre-2018 losses have been used, losses will be allocated based on the QBI Fixed Percentage in column B for each subsequent year in which losses were suspended.

**Prior year suspended losses allowed in 2018.**

**Notes.** If column C row 2 is zero, skip Step 1 through Step 3.

**Step 1.** Allocate prior year suspended losses allowed from column C, row 2, up to the total suspended losses reported in column A, row 1, to column F, row 2.

**Step 2.** If there are any prior year suspended losses allowed remaining from column C, row 2 after Step 1, allocate the remaining prior year suspended losses allowed between QBI and Non-QBI.

1. For the allocation to QBI, multiply the remaining losses (after Step 1), up to the total suspended losses reported in column A, row 2, by column B, row 2 and enter this amount in column J, row 2.

2. For the allocation to Non-QBI, multiply the remaining losses (after Step 1), up to the total suspended losses reported in column A, row 2, by 100% less the amount in column B, row 2, add it to any amount already included in column J, row 3.

**Step 3.** Complete the instructions for columns G, K, H, and L for rows 1 and 2.

**Prior Year Suspended Losses Allowed in 2019.**

**Notes.** If column C, row 3, is zero, skip Step 4 through Step 6.

**Step 4.** Allocate prior year suspended losses allowed from column C, row 3, up to the remaining suspended losses reported in column H, row 1, to column F, row 3.

**Step 5.** If there are any prior year suspended losses allowed remaining from column C, row 3 after Step 4, allocate the remaining prior year suspended losses allowed between QBI and Non-QBI using the FIFO method until each year’s loss has been reduced to zero.

1. For the allocation to QBI, multiply the remaining losses (after Step 4), up to the sum of the remaining suspended losses reported in column H, row 2, and column L, row 2, by column B, row 2, and enter this amount in column J, row 3.

2. For the allocation to Non-QBI, multiply the remaining losses (after Step 4), up to the sum of the remaining suspended losses reported in column H, row 2, and column L, row 2, by 100% less the amount in column B, row 2, add it to any amount already included in column F, row 3.

3. If any prior year suspended losses allowed remain from column C, row 3 after Steps 5(a) and (b), multiply the remaining losses (after Steps 5(a) and (b)), up to the sum of the remaining suspended losses reported in column H, row 3, and column L, row 3, by column B, row 3, and add it to any amount already included in column J, row 3.

4. Then, multiply the remaining losses (after Steps 5(a) and (b)), up to the sum of the remaining suspended losses reported in column H, row 3, and column L, row 3, by 100% less the amount in column B, row 3, and add it to any amount already included in column F, row 3.

**Step 6.** Complete the instructions for columns G, K, H, and L for rows 1 through 3.

**Prior Year Suspended Losses Allowed in 2020 and Beyond.**

Repeat Step 4 through Step 6, adjust as necessary, for any prior year suspended losses allowed in column C, row 4, and each row thereafter as applicable.

**Additional rows and columns may be added as needed in future years.**

**Columns G and K—Utilized “20XX.”** Use these columns to show how the allocated prior year suspended losses allowed in columns F and J are utilized each year. For example, the loss reported in column F for row 2 must tie the amount reported in column G(i), row 5, and the loss reported in column F for row 3 must tie to the amount reported in column G(ii), row 5, etc.

**Column H—Remaining suspended losses.** For each row, take the amount in column E less the amounts utilized in all columns G(i), G(ii), and G(iii). This amount can’t be more than zero.

**Column L—Remaining suspended losses.** For each row, take the amount in column I less the amounts utilized in all columns K(i), K(ii), and K(iii). This amount can’t be more than zero.

**Column D—Allowed losses limited by other code sections.** When a prior year suspended loss allowed under one code section is subsequently limited by another code section, this loss shouldn’t be included in the QBI calculation until the...
loss is allowed in the computation of taxable income. Instead, that loss is added to the total suspended losses in year of disallowance under the new limiting code section for continuation of its suspension. This column along with row 6 address how to account for such losses.

In column D enter the amount of any prior year suspended losses allowed under this code section, but subsequently disallowed under another code section on the row for the year the loss was allowed under this code section. These amounts will be allocated between Non-QBI and QBI in columns G and K for the corresponding year, see row 6, below.

**Row 6- Allocation of allowed losses limited by other code sections.** To allocate the allowed losses limited by other code sections between QBI and Non-QBI, start with QBI for the 2018 row. Take Column K(i), row 5 divided by the sum of Column K(i), row 5, plus Column G(i), row 5, multiplied by Column D, row 2, and enter this amount in column K(i) row 6. Written as a formula: Column K(i), row 6 = Column D, row 2 x ((Column G(i), row 5 + (Column K(i), row 5 ÷ (Column G(i), row 2 + Column K(i), row 5))

Next, compute the amount for Non-QBI for the 2018 row. Take Column G(i), row 5 divided by the sum of Column G(i), row 5 + Column K(i), row 5, multiplied by Column D, row 2 and enter this amount in column G(i), row 6. Written as a formula: Column K(i), row 6 = Column D, row 2 x ((Column G(i), row 5 + (Column K(i), row 5 ÷ (Column G(i), row 2 + Column K(i), row 5))

Continue the computation for columns K(ii) and G(ii) and then for columns K(iii) and G(iii) except multiply the percentage times the amount in column D, row 3, for 2019 and column D, row 4, for 2020, respectively.

**Row 7-Total prior year suspended losses allowed that must be included in QBI.** The amounts reported in columns K(i), K(ii), and/or K(iii) for row 7 equals the loss amount that must be included in your current year QBI, respectively for each year, as a loss from a separate trade or business.

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