



# Instructions for Form 8995

## Qualified Business Income Deduction Simplified Computation

Section references are to the Internal Revenue Code unless otherwise noted.

### 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](https://www.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, married filing separately, head of household, qualifying widow(er), 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. 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 deduction for the portioned owned as if section 199A items 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. In determining the QBI deduction or the information that must be provided to beneficiaries, the estate or trust allocates section 199A 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, section 199A items are allocated entirely to the estate or trust.

Although estates and trusts may compute their own QBI deduction, to the extent section 199A items are allocable to the estate or trust, section 199A items allocated to beneficiaries aren't includable in the estate's or trust's QBI deduction 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. The 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 domestic 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.

As provided in section 162, 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.

For purposes of section 199A, if you own an interest in a pass-through entity, the trade or business determination is made at the entity level. Material participation under section 469 isn't required to qualify 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 pass-through entity is considered a trade or business under section 199A.

**Services performed as an employee excluded from qualified trades or businesses.** The trade or business of performing services as an employee isn't a trade or business for purposes of section 199A. Therefore, any amounts reported on Form W-2, box 1, other than amounts reported in box 1 if "Statutory Employee" on Form W-2, box 13, is checked, aren't QBI. If you were previously an employee of a business and continue to provide substantially the same services to that business after you're no longer treated as an employee, there is a presumption that you're providing services as an employee for purposes of section 199A for the 3-year period after ceasing to be an employee. You can rebut this presumption on notice from the IRS by providing records such as contracts or partnership agreements that corroborate your status as a non-employee.

For more information on if you're an employee or an independent contractor, see Pub. 15-A, Employer's Supplemental Tax Guide, and Pub. 1779, Independent Contractor or Employee.

**SSTBs excluded from your qualified trades or businesses.** An SSTB is generally excluded from the definition of qualified trade or business.

An SSTB is any trade or business providing services in the fields of:

- Health;
- Law;
- Accounting;
- Actuarial science;
- Performing arts;
- Consulting;
- Athletics;
- Financial services;
- Brokerage services;
- Investing and investment management;
- Trading or dealing in securities, partnership interests, commodities; or
- Any trade or business where the principal asset is the reputation or skill of one or more of its employees or owners, as demonstrated by:

- Receiving fees, compensation, or other income for endorsing products or services;
- Licensing or receiving fees, compensation or other income for the use of taxpayer's image, likeness, name, signature, voice, trademark, or any other symbols associated with the individual's identity; or
- Receiving fees, compensation, or other income for appearing at an event or on radio, television, or another media format.

**Exception 1:** If your 2020 taxable income before the QBI deduction is less than or equal to \$163,300 if single, married filing separately, head of household, qualifying widow(er), or are a trust or estate (\$326,600 if married filing jointly), your SSTB is treated as a qualified trade or business.

**Exception 2:** If your taxable income before the QBI deduction is more than \$163,300 but not more than \$213,300 if single, married filing separately, head of household, qualifying widow(er), or are a trust or estate (\$326,600 and \$426,600 if married filing jointly), an applicable percentage of your SSTB is treated as a qualified trade or business, you must complete Schedule A (Form 8995-A).

**Aggregation.** If you're engaged in more than one trade or business, each trade or business is a separate trade or business 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 the 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, if 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 Unadjusted Basis Immediately after Acquisition (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 qualified 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 qualified items from partnerships (other than PTPs), S corporations, sole proprietorships, and certain estates and trusts that are allowed in calculating your taxable income for the year.

To figure the total amount of QBI, you must consider all items that are attributable 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](https://www.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.

Losses or deductions from a qualified trade or business that are suspended by other provisions of the Internal Revenue Code are not qualified losses or deductions and, therefore, are not included in your QBI for the year. Such Code provisions include, but aren't limited to, sections 163(j), 179, 461(l), 465, 469, 704(d), and 1366(d). Instead, qualified losses and deductions are taken into account in the tax year they're included in calculating your taxable income.

When losses or deductions are suspended, you must determine the qualified portion of the losses or deductions that must be included in QBI in subsequent years when allowed in calculating your taxable income. In general, losses and deductions incurred prior to 2018 are not qualified losses or deductions and are not included in QBI in the year they are included in calculating taxable income.

If a loss or deduction is partially suspended, only the portion of the allowed loss or deduction attributable to QBI must be considered when determining QBI from the trade or business in the year the loss or deduction is incurred. The portion of the allowed loss or deduction attributable to QBI is determined by first calculating the percentage of the total loss attributable to QBI by dividing the portion of the total loss attributable to QBI by the overall total loss. The allowed loss or deduction is then multiplied by this percentage to determine the portion of the allowed loss or deduction attributable to QBI.

If your trade or business is an SSTB, whether the trade or business is a qualified trade or business is determined based on your taxable income in the year the loss or deduction is incurred. If your taxable income is within the phase-in range in that year, you must determine and apply the applicable percentage in the year the loss or deduction was incurred to determine the qualified portion of the suspended loss or deduction.

Losses and deductions retain their status as either qualified or non-qualified from year to year while suspended. Therefore, you must track each category of loss or deduction until the loss or deduction is no longer suspended. For an example of a reasonable method to track and compute the amount of previously disallowed losses or deductions to be

included in your QBI deduction calculation in the year allowed, see [Tracking Losses or Deductions Suspended by Other Provisions](#), later.

When losses or deductions previously suspended by other Code provisions are allowed in calculating taxable income, the qualified portion of the loss or deduction allowed under each provision is treated as a qualified net loss carryforward from a separate trade or business when calculating the current year's QBI deduction. See [Line 3](#).

Any qualified loss or deduction from an SSTB allowed in calculating taxable income aren't included on the Schedule A (Form 8995-A) as the applicable percentage was previously determined and applied in the year the loss or deduction was incurred and should not be redetermined in the year the loss or deduction is allowed.

**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, later, to figure if an item of income, gain, deduction, or loss is included in QBI.

**Determining if information reported on your 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 may also 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.

When losses or deductions from a PTP are suspended in the year incurred, you must determine the qualified portion of the losses or deductions that must be included as qualified PTP losses or deductions in subsequent years when allowed in calculating your taxable income. In general, losses and deductions that were incurred prior to 2018 are not qualified PTP losses or deductions and are not included in calculating taxable income.

If your PTP is an SSTB, whether the PTP loss is a qualified loss is determined based on your taxable income in the year the loss or deduction is incurred. If your taxable income is within the phase-in range in that year, you must determine and apply the applicable percentage in the year the loss or deduction was incurred to determine the qualified portion of the suspended loss or deduction.

Losses and deductions retain their status as either qualified or non-qualified from year to year while suspended. Therefore, you must track each loss or deduction from a PTP until the loss or deduction is no longer suspended.

When losses or deductions previously suspended by other Code provisions are allowed in calculating taxable income, the



qualified portion of the loss or deduction allowed for each PTP is treated as a qualified net loss carryforward from a separate PTP when calculating the current year's QBI deduction. See [Line 7](#).

Any qualified PTP loss or deduction from an SSTB allowed in calculating taxable income aren't included on the Schedule A (Form 8995-A) as the applicable percentage was previously calculated and applied in the year the loss or deduction was incurred and should not be redetermined in the year the loss or deduction is allowed.

## 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.

Enter on line 1(c) the net qualified business income or (loss) for the trade, business, or aggregation reported in the corresponding row. **Do not** include here any losses or deductions suspended from use in calculating taxable income in the current year **or** any portion of qualified losses or deductions previously suspended by other Code provisions that are allowed in calculating taxable income in the current year. See [Line 3](#).

### 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 here the qualified portion of trade or business (loss) carryforward allowed in

calculating taxable income in the current year, even if the loss was from a trade or business that is no longer in existence. See [Determining Your Qualified Business Income](#), earlier, and [Tracking Losses or Deductions Suspended by Other Provisions](#), later. Losses and deductions that remain suspended by other Code provisions are not qualified losses and deductions and must be tracked separately for use when subsequently allowed in calculating taxable income.

### 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 7

Include here the qualified portion of PTP (loss) carryforward allowed in calculating taxable income in the current year, even if the loss was from a PTP that you no longer hold an interest in or is no longer in existence. Losses and deductions that remain suspended by other Code provisions are not qualified losses and deductions and must be tracked separately from any qualified trade or business losses for use when subsequently allowed in calculating taxable income.

### 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 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 18a(2) or 19(2), unless either line 18a(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; and S-corporation portion of an ESBT, line 11.

### Line 16

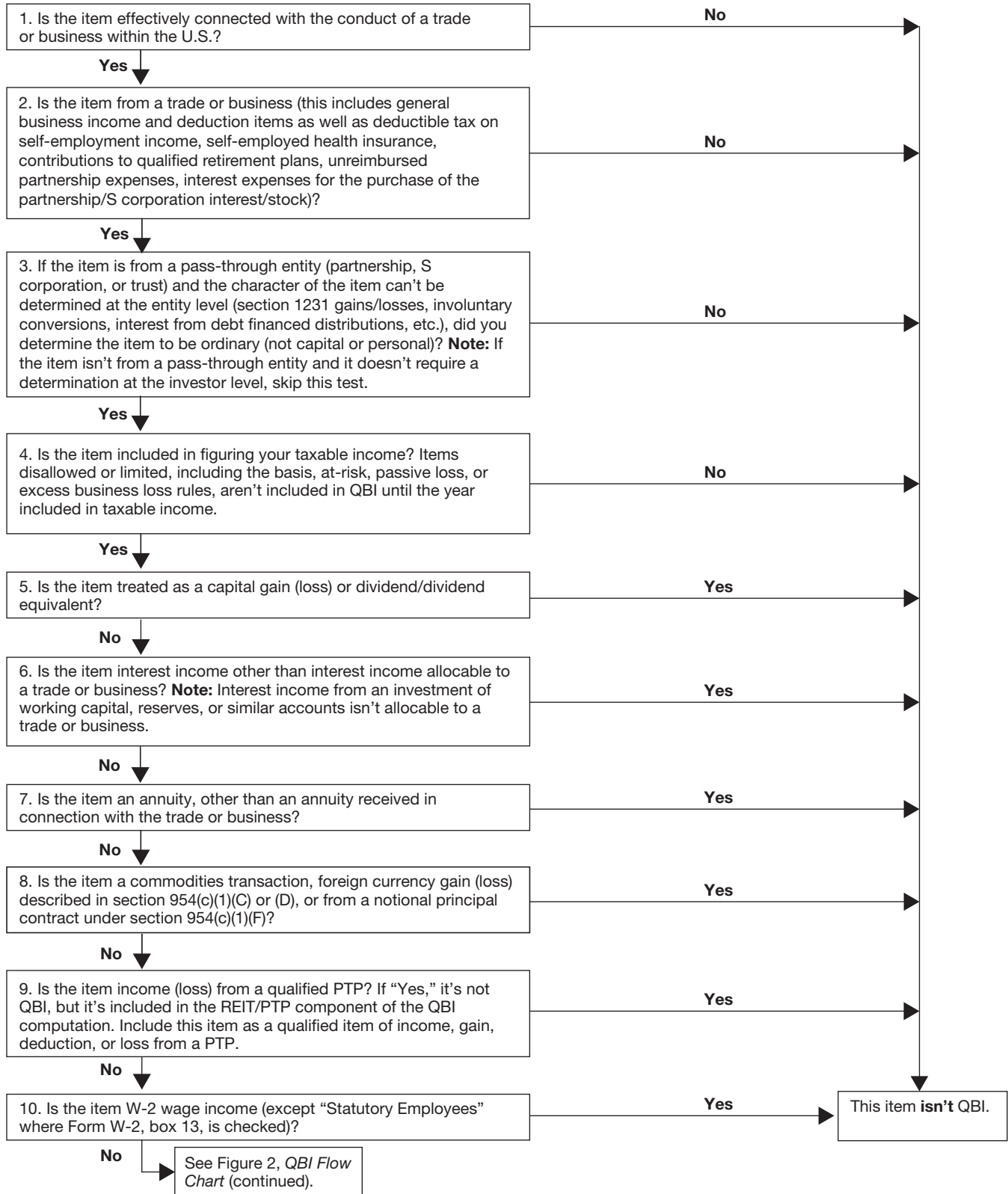
This is the amount to be carried forward to the next year. This amount will offset QBI in later tax years regardless of whether the trade(s) or business(es) that generated the loss is still in existence. This carryforward doesn't affect the deductibility of any loss for purposes of any other provisions 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 the qualified PTP(s) that generated the loss is still in existence. This carryforward doesn't affect the deductibility of any loss for purposes of any other provisions of the Code.

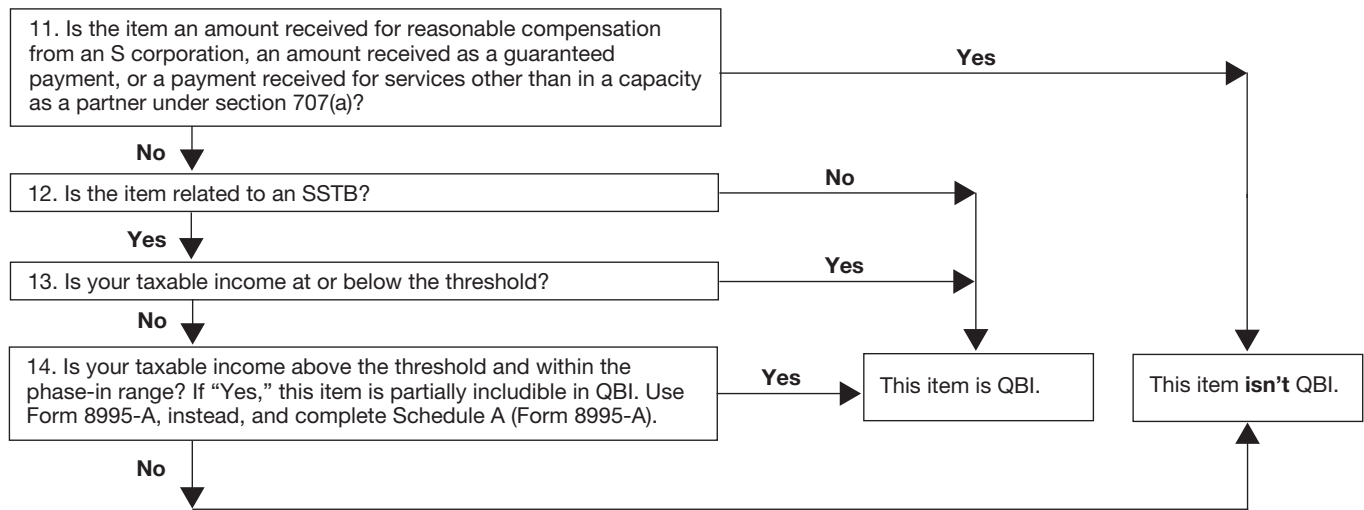
# QBI Flow Chart

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



## Tracking Losses or Deductions Suspended by Other Provisions



*A worksheet, QBI Loss Tracking Worksheet, is provided below that can help you track your suspended losses. Losses and deductions that would be properly includible in QBI, if such loss or deduction wasn't suspended (excluded from taxable income) by other provisions, must be tracked separately for purposes of determining the future amount includible as negative QBI. Use as many copies of the worksheet as necessary to separately track your suspended loss(es) under each suspending provision.*

### Specific Instructions

**Note.** 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.

**Note.** All pre-2018 losses are allocable to Non-QBI.

**Column E. Non-QBI suspended losses.** For rows 1 through 4, enter suspended losses allocable to Non-QBI into the appropriate year row (for example, 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 (for example, 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 year 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.

**Note.** 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

**Note.** 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, and add it to any amount already included in column F, row 2.

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

### Prior Year Suspended Losses Allowed in 2019

**Note.** 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, and 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 and adjust as necessary for any prior year suspended losses allowed in column C, row 4, and each row thereafter as applicable.

Additional year 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 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 K(i), row 5 ÷ (column K(i), row 5 + column G(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

K(i), row 5 ÷ (column G(i), row 5 + 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.



### QBI Loss Tracking Worksheet

Use this worksheet to track losses or deductions suspended by other provisions and attributable to QBI using the FIFO method.

Code \_\_\_\_\_ [Enter the Code section limiting your loss]

#### Part I Suspended & Allowed Losses

	A. Total suspended losses in year of disallowance	B. QBI fixed percentage	C. Prior year suspended losses allowed	D. Allowed losses limited by other Code sections
1. Pre-2018		0.00 %		
2. 2018		%		
3. 2019		%		
4. 2020		%		
5. Total				

#### Part II Non-QBI Suspended and Allowed Losses

##### Allocable to Non-QBI

	E. Suspended losses	F. Allocated prior year suspended losses allowed	G(i). Utilized 2018	G(ii). Utilized 2019	G(iii). Utilized 2020	H. Remaining suspended losses
1. Pre-2018						
2. 2018						
3. 2019						
4. 2020						
5. Total						
6. Allocation of allowed losses limited by other Code sections . . . . .						

#### Part III QBI Suspended and Allowed Losses

##### Allocable to QBI

	I. Suspended losses	J. Allocated prior year suspended losses allowed	K(i). Utilized 2018	K(ii). Utilized 2019	K(iii). Utilized 2020	L. Remaining suspended losses
1. Pre-2018						
2. 2018						
3. 2019						
4. 2020						
5. Total						
6. Allocation of allowed losses limited by other Code sections . . . . .						
7. Total prior year suspended losses allowed that must be included in QBI . . . . .						

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