



# Instructions for Form 8995-A

## Deduction for Qualified Business Income

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

### Future Developments

For the latest information about developments related to Form 8995-A and its instructions, such as legislation enacted after they were published, go to [IRS.gov/Form8995A](https://www.irs.gov/Form8995A).

### 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 *QBI Loss Tracking Worksheet*, later.

## General Instructions

### Purpose of Form

Use Form 8995-A to figure your qualified business income (QBI) deduction. Include the following schedules (their specific instructions are shown later), as appropriate:

- Schedule A (Form 8995-A), Specified Service Trades or Businesses
- Schedule B (Form 8995-A), Aggregation of Business Operations
- Schedule C (Form 8995-A), Loss Netting and Carryforward
- Schedule D (Form 8995-A), Special Rules for Patrons of Agricultural or Horticultural Cooperatives

In general, the amount of your QBI deduction equals your QBI component plus your qualified real estate investment trust (REIT) and qualified publicly traded partnership (PTP) component (REIT/PTP component). However, the deduction is limited to the lesser of this amount or 20% of your taxable income, calculated before the QBI deduction, minus your net capital gain. Depending on your taxable income, your QBI component may also be limited based on the type of trade or business, W-2 wages paid by that business, and Unadjusted Basis Immediately after Acquisition (UBIA) of qualified property held by the business.

### Who Can Take the Deduction

Individuals and eligible estates and trusts use Form 8995-A to figure the QBI deduction if:

- You have QBI, qualified REIT dividends, or qualified PTP income or loss; and
- Your 2021 taxable income before your QBI deduction is more than \$329,800

married filing jointly, \$164,925 for married filing separately, and \$164,900 for all other returns; or

- You're a patron in a specified agricultural or horticultural cooperative.

Otherwise, use Form 8995, Qualified Business Income Deduction Simplified Computation, to figure your QBI deduction.

**S corporations and partnerships.** S corporations and partnerships don't file Form 8995-A because they're not eligible for the deduction. Instead, S corporations and partnerships 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 don't file Form 8995-A because they're not 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.

**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 portion of the trust owned as if section 199A items had been received directly by the owner. Generally, in the case of a non-grantor trust or estate, the 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.

Estates and trusts may compute their own QBI deduction to the extent section 199A items are allocated to the estate or trust. However, section 199A items allocated to beneficiaries aren't includible 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 is required to compute the QBI deduction separately for the S and non-S portions of the trust. If applicable, the Form 8995-A used to compute the S portion's QBI deduction must be attached as a PDF to the ESBT Tax Worksheet filed with Form 1041, and the trust must indicate that the information is applicable to the S portion only, by writing "ESBT" in the top margin of the Form 8995-A. See the Instructions for Form 1041.

### Determining Your QBI Deduction

**Determine your QBI component.** To figure your QBI deduction, you must first determine your QBI component. Your QBI component is generally 20% of your QBI from your domestic trades or businesses. However, if your taxable income (before the QBI deduction) exceeds the threshold (\$329,800 if married filing jointly; \$164,925 for married filing separately, and \$164,900 for all other returns), your QBI for each of your trades or businesses may be partially or fully reduced to the greater of 50% of W-2 wages paid by the qualified trade or business, or 25% of W-2 wages plus 2.5% of the UBIA of qualified property from the qualified trade or business. The partial or full reduction to QBI is determined by your taxable income. If your taxable income (before the QBI deduction) is:

- At or below the threshold, you don't need to reduce your QBI;
- Above the threshold but below the phase-in range (more than \$329,800 and \$429,800 if married filing jointly; \$164,925 and \$214,925 for married filing separately, and \$164,900 and \$214,900 for all other returns), the reduction is phased in; or
- Above the threshold and phase-in range, the full reduction applies.

Also, if you're a patron of an agricultural or horticultural cooperative, you must reduce your cooperative QBI by the lesser of:

- 9% of the QBI allocable to qualified payments, or
- 50% of W-2 wages from the trade or business allocable to the qualified payments.

**Determining your qualified trades or businesses.** Your qualified trades and businesses generally 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 are never qualified trades or businesses. Specified service trades or businesses (SSTBs) aren't qualified trades or businesses for taxpayers with taxable income, before the QBI deduction, above the threshold and phased-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.

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 is a section 162 trade or business.

Also, 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 may rebut this presumption on notice from the IRS by providing records such as contracts or partnership agreements that corroborate your status as a nonemployee. See Pub. 15-A, Employer's Supplemental Tax Guide, and Pub. 1779, Independent Contractor or Employee.

**SSTBs excluded from your qualified trades or businesses.** SSTBs are generally excluded from the definition of a qualified trade or business if the taxpayer's taxable income exceeds the threshold plus the phase-in range. Therefore, no QBI, W-2 wages, or UBI of qualified property from the specified service trade or business are taken into account in figuring your QBI deduction. If

the SSTB is conducted by your pass-through entity, the same limitation applies to the pass-through items.

**Exception 1:** If your 2021 taxable income before the QBI deduction isn't more than \$329,800 married filing jointly, \$164,925 for married filing separately, and \$164,900 for all other returns, your SSTB is treated as a qualified trade or business, and thus may generate income eligible for the QBI deduction.

**Exception 2:** If your 2021 taxable income before the QBI deduction is more than \$329,800 but not more than \$429,800 if married filing jointly, \$164,925 and \$214,925 for married filing separately, and \$164,900 and \$214,900 for all other returns, an applicable percentage of your SSTB is treated as a qualified trade or business, you must complete Schedule A (Form 8995-A).

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

- Health, including physicians, pharmacists, nurses, dentists, veterinarians, physical therapists, psychologists, and other similar healthcare professionals. However, it excludes services not directly related to a medical services field, such as the operation of health clubs or spas; payment processing; or the research, testing, manufacture, and sale of pharmaceuticals or medical devices;
- Law, including lawyers, paralegals, legal arbitrators, mediators, and similar professionals. However, it excludes services that don't require skills unique to the field of law such as services by printers, delivery services, or stenography services;
- Accounting, including accountants, enrolled agents, return preparers, financial auditors, and similar professionals;
- Actuarial science, including actuaries, and similar professionals;
- Performing arts, including actors, singers, musicians, entertainers, directors, and similar professionals. However, it excludes services that don't require skills unique to the creation of performing arts, such as the maintenance and operation of equipment or facilities for use in the performing arts or the provision of services by persons who broadcast video or audio of performing arts to the public;
- Consulting, including persons providing clients with professional advice and counsel to assist in achieving goals and solving problems, and persons providing advice and counsel regarding advocacy with the intention of influencing decisions made by a government or governmental agency, and lobbyists attempting to influence legislators and other government officials on behalf of a client, and other similar professionals. However, it excludes the performance of services other than advice or counsel, such as sales or the provision of training and educational courses. It also excludes consulting services embedded in or ancillary to the activities of a trade or business that isn't an SSTB, if there is no separate payment for the consulting services;
- Athletics, including athletes, coaches, and team managers in sports such as baseball,

basketball, football, soccer, hockey, martial arts, boxing, bowling, tennis, golf, skiing, snowboarding, track and field, billiards, racing, and other forms of athletic competition. However, it excludes services that don't require skills unique to athletic competition, such as the maintenance and operation of equipment or facilities for use in athletic events or the provision of services by persons who broadcast video or audio of athletic events to the public;

- Financial services, including persons managing clients' wealth, advising clients on finances, developing retirement plans, developing wealth transition plans, providing advisory and other similar services regarding valuations, mergers, acquisitions, dispositions, restructurings (including in title 11 or similar cases), and raising financial capital by underwriting, or acting as a client's agent in the issuance of securities and similar services. This includes services provided by financial advisors, investment bankers, wealth planners, retirement advisors, and other similar professionals. However, it excludes taking deposits or making loans, but does include arranging lending transactions between a lender and borrower;
- Brokerage services, including persons who arrange transactions between a buyer and a seller of securities for a commission or fee such as stock brokers and other similar professionals. However, it excludes services provided by real estate agents and brokers, or insurance agents and brokers;
- Investing and investment management, including persons providing, for a fee, investing, asset management, or investment management services, including providing advice on buying and selling investments. However, it excludes the service of directly managing real property;
- Trading, including persons who trade in securities (as defined in section 475(c)(2)), commodities (as defined in section 475(e)(2)), or partnership interests;
- Dealing securities (as defined in section 475(c)(2)), commodities (as defined in section 475(e)(2)), or partnership interests; and
- 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 an individual'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.

**De minimis rule 1.** If your gross receipts from a trade or business are \$25 million or less and less than 10% of the gross receipts are from the performance of services in a specified service field, then your trade or

business isn't considered an SSTB, and thus may generate income eligible for the QBI deduction for the tax year, regardless of your taxable income.

**De minimis rule 2.** If your gross receipts from the trade or business are more than \$25 million and less than 5% of the gross receipts are from the performance of services, then your trade or business isn't considered an SSTB, and thus may generate income eligible for the QBI deduction for the tax year, regardless of your taxable income.

**De minimis rule 3.** If your trade or business provides services or property to an SSTB and there is 50% or more common ownership of the trades or businesses, that portion of the business that provides services or property to the SSTB is treated as a separate SSTB concerning the common owners.

**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 applying the W-2 wage limitation or UBIA of qualified property limitation, discussed later. However, you may choose to aggregate multiple trades or businesses into a single trade or business for purposes of applying the limitations 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 a 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.

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 upon, one or more of the businesses in the aggregated group.

If a relevant pass-through entity (RPE) aggregates multiple trades or businesses, you must attach the RPE's aggregations to your Schedule B (Form 8995-A). 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, complete Schedule B (Form 8995-A) before starting Part I of 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. Schedule B (Form 8995-A)

must be completed each year to show your trade or business aggregation(s) and must include any aggregation of an RPE in which you hold a direct or indirect interest. Failure to disclose such aggregated trades or businesses may cause them to be disaggregated.

**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 wage and UBIA of qualified property limitations.

**Determining your QBI.** 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 includible 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 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 isn'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 whether items included on Schedule K-1 are includible 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 includible in your QBI. To determine if the item of income, gain, deduction, or loss is includible in QBI, you must look to how it is 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 and not excluded, suspended, or disallowed under any other Code section. 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 determine if an item of income, gain, deduction, or loss is includible in QBI.

**Determining whether information reported on your Form 1099-PATR is includible in QBI.** The amounts reported to you as your share of patronage dividends and similar payments on Form 1099-PATR aren't automatically includible 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 items of income on an attachment to Form 1099-PATR, and (3) not payments reported as from an SSTB, unless your taxable income is below the threshold, in which case payments from SSTBs are includible in your QBI.

If you received Qualified Payments reported to you on Form 1099-PATR from a specified agricultural or horticultural cooperative, you're required to reduce your QBI by the patron reduction. See [Schedule D \(Form 8995-A\) Special Rules for Patrons of Agricultural or Horticultural Cooperatives](#), later.

**Determining whether items included on Schedule C (Form 1040) are includible in QBI.** The net gain or loss as reported on your Schedule C (Form 1040) isn't automatically includible in your QBI. See the [QBI Flow Chart](#), later, to determine if an item of income, gain, deduction, or loss is includible in QBI.

**QBI Flow Chart.** Use the flow chart to determine if an item of income, gain, deduction, or loss is includible in QBI. See the [QBI Flow Chart](#), later.

**Determining your W-2 wages for limitation purposes.** W-2 wages generally include amounts paid to employees for the performance of services, plus elective deferrals (for example, contributions to 401(k) plans, deferred compensation, and Roth IRA contributions). Amounts paid to statutory employees aren't W-2 wages when the "Statutory Employee" box on Form W-2, box 13, is checked.

If you conduct more than one trade or business, the W-2 wages must be allocated among the various trades or businesses (or aggregated trades or businesses) to the trade or business that generated the wage expense. Also, only the W-2 wages properly allocable to QBI are includible. W-2 wages are properly allocable to QBI if the associated wage expense is taken into account in computing QBI.

Before allocating W-2 wages among various trades or businesses (or aggregated trades or businesses) and/or allocating W-2 wages to QBI, first determine the total amount of W-2 wages. There are three methods to figure your W-2 wages.

- Unmodified box method.
- Modified box 1 method.
- Tracking wages method.

**Unmodified box method.** Under the unmodified box method, W-2 wages are the smaller of:

1. The sum of the amounts reported in box 1 of the relevant Forms W-2, or
2. The sum of the amounts reported in box 5 of the relevant Forms W-2.

**Modified box 1 method.** Under the modified box 1 method, W-2 wages are figured as follows.

1. Add the amounts reported in box 1 of the relevant Forms W-2.
2. Add all amounts not considered wages, for federal income tax withholding purposes including, but not limited to:
  - a. Supplemental unemployment compensation benefits within the meaning of Rev. Rul. 90-72, and
  - b. Sick pay or annuity payments.
3. Subtract (2) from (1).
4. Add together any amounts reported in box 12 of the relevant Forms W-2 that are properly coded D, E, F, G, or S.
5. Add (3) and (4).

**Tracking wages method.** Under the tracking wages method, W-2 wages are figured as follows.

1. Add the amounts that are wages for federal income tax withholding purposes and that are also reported in box 1 of the relevant Forms W-2.
2. Add together any amounts reported in box 12 of the relevant Forms W-2 that are properly coded D, E, F, G, or S.
3. Add (1) and (2).

To figure your W-2 wages using one of the three methods above, generally use the sum of the amounts you properly report for each employee on Form W-2, Wage and Tax Statement, for the calendar year ending with or within your tax year. However, don't use any amounts reported on a Form W-2 filed with the Social Security Administration more than 60 days after its due date (including extensions).

**Note.** For purposes of determining W-2 wages for limitation purposes, fiscal year end trades or businesses include qualified amounts paid to employees for the calendar year ended with or within the business's tax year.

**Short tax year.** If you have a short tax year, you must use the tracking wages method and do the following.

- Add the amounts that are wages for federal income tax withholding purposes, that are also reported on Form W-2, box 1,

for any calendar year(s) containing any day within that short tax year, and that are actually paid during the short tax year; plus

- Any amounts reported in box 12 of the relevant Forms W-2 that are properly coded D, E, F, G, or S for any calendar year(s) containing any day within that short tax year that are actually deferred or contributed during the short tax year.

However, if you have a short tax year that doesn't include a calendar year ending within that short tax year, the following wages are treated as W-2 wages for a short year.

- Wages you properly report on Form W-2 that you actually paid during the tax year.
- Amounts reported on Forms W-2, box 12, that are properly coded D, E, F, G, or S that are actually deferred or contributed during the short tax year.

**Acquisition or disposition of a trade or business.** If you acquired or disposed of a trade or business that causes you and another employer to pay W-2 wages to employees of the acquired or disposed of trade or business during the calendar year, then the W-2 wages for the calendar year of the acquisition or disposition are allocated between each employer based on the period that the employees of the acquired or disposed of trade or business were employed by each employer. If you have a short tax year that doesn't include a calendar year ending within your short tax year, see [Short tax year](#), earlier.

**Non-duplication rule.** Amounts that are treated as W-2 wages for a tax year under any method can't be treated as W-2 wages for any other tax year. Also, an amount can't be treated as W-2 wages by more than one taxpayer.

**Determining your UBIA of qualified property.** For purposes of determining your UBIA for all qualified property, the unadjusted basis immediately after acquisition means the basis on the placed-in-service date. Qualified property includes tangible property subject to depreciation under section 167 held, and used in the production of QBI, by the trade or business (or aggregated trades or businesses) during and at the close of the tax year, for which the depreciable period hasn't ended before the close of the tax year. The depreciable period ends on the later of 10 years after the property is first placed in service by you or the last day of the last full year in the applicable recovery period under section 168(c). Additional first-year depreciation under section 168 doesn't affect the applicable recovery period.

Improvements to property that has already been placed in service are treated as separate qualified property.

For qualified replacement property acquired in a section 1031 exchange that's of a like-kind to the qualified relinquished property, or for qualified replacement property acquired in a section 1033 involuntary conversion that's similar or related in service or use to the qualified converted property, the UBIA of the qualified replacement property is the same as the

UBIA of the qualified property exchanged, converted, decreased by excess boot, or increased by the amount of money paid or the fair market value of property transferred by the taxpayer that isn't of a like-kind or similar or related in service or use.

Generally, replacement property retains the same placed-in-service date as that of the relinquished property. However, for the portion of the replacement property's UBIA that exceeds the relinquished property's UBIA, that portion is treated as separate qualified property placed in service on the date on which the replacement property is first placed in service.

Generally, property received in a nonrecognition transaction (section 332, 351, 361, 721, or 731) retains the same UBIA and placed-in-service date as that of the transferor. However, for the portion of the transferee's UBIA that exceeds the transferor's UBIA, that portion is treated as separate qualified property placed in service on the date of the transfer.

Property acquired within 60 days of the year end that's disposed of within 120 days without being used by the trade or business for at least 45 days is generally not qualified property.

## Determining Your REIT/PTP Component

Your qualified REIT/PTP component equals 20% of your qualified REIT dividends and qualified PTP income or loss (including your share of qualified REIT dividends and qualified PTP income or loss from RPEs).

Qualified REIT dividends include any dividend 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 under section 857(b)(3) and isn't a qualified dividend under section 1(h)(11). Plus, your qualified REIT dividends include those received from a regulated investment company (RIC).

Qualified PTP income/(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 PTP interest that isn't treated as a capital gain or loss. It doesn't include any loss or deduction disallowed in determining your taxable income for the year. Qualified REIT dividends are reported to you on Form 1099-DIV, Dividends and Distributions, box 5, Section 199A dividends.

**Note.** PTP income generated by an SSTB may be limited to the applicable percentage if your taxable income is within the phase-in range or completely excluded from qualified PTP income if your taxable income is above the phase-in range. See [Schedule A \(Form 8995-A\) Specified Service Trades or Businesses](#), later.

## Coordination With Other Code Sections

**A net operating loss** under section 172 is generally figured without the QBI deduction, meaning the QBI deduction can't create or increase the net operating loss. However, an excess business loss under section 461(l) is treated as a net operating loss carryforward to the following tax year and is taken into account for purposes of computing QBI in the subsequent tax year in which it is deducted.

**Alternative minimum tax.** The QBI deduction used to determine regular tax is also used to determine alternative minimum taxable income.

**Net earnings from self-employment** aren't reduced by the QBI deduction when computing self-employment tax.

**Net investment income** isn't reduced by the QBI deduction when computing net investment income tax.

**Puerto Rico.** For purposes of determining QBI, the United States includes Puerto Rico for taxpayers who have taxable income from sources within Puerto Rico that are subject to tax under section 1. Further, W-2 wages are figured by including W-2 wages paid for services performed in Puerto Rico without regard to section 3401(a)(8).

## Specific Instructions

You may need to complete Schedule A, B, C, and/or D, as applicable, prior to starting Part I of the form.

**Taxable income before qualified business income deduction.** Form 8995-A, Part III, Part IV, and Schedule A (Form 8995-A) each ask for your taxable income figured without regard to the QBI deduction. 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 12c.
- 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 qualified business income deduction reported on Form 990-T, Part I, line 9.
- S-corporation portion of an ESBT filer: ESBT Tax Worksheet, line 13, plus ESBT Tax Worksheet, line 11.

## Schedule A (Form 8995-A)—Specified Service Trades or Businesses

Complete Schedule A only if your trade or business is a SSTB and your taxable income is more than \$164,900 but not \$214,900 (\$164,925 and \$214,925 if married filing separately; \$329,800 and \$429,800 if married filing jointly).

If your taxable income isn't more than \$164,900 (\$164,925 if married filing separately; \$329,800 if married filing jointly) and you're not a patron of an agricultural or horticultural cooperative, don't file Form 8995-A; instead, file Form 8995, Qualified Business Income Deduction Simplified Computation. Otherwise, complete Schedule D (Form 8995-A) before beginning Schedule A.

If your taxable income is more than \$214,900 (\$214,925 if married filing separately; \$429,800 if married filing jointly), your SSTB doesn't qualify for the deduction.

Schedule A (Form 8995-A), Part II, should be used for SSTBs that are PTPs, and Part I should be used for all other SSTBs.

See [SSTBs excluded from your qualified trades or businesses](#), earlier.

**Lines 2 and 16.** Enter your QBI or Qualified PTP income for each SSTB, as applicable.

**Lines 5 and 18.** See [Taxable income before qualified business income deduction](#), earlier.

## Schedule B (Form 8995-A)—Aggregation of Business Operations

If you qualify and choose to aggregate multiple trades or businesses into a single trade or business, you must complete Schedule B before starting Part I.

**Line 3(c).** Enter your QBI for each separate trade or business.

**Line 4.** If any of your aggregations have a qualified business loss for the current year or you have a qualified business net loss carryforward from prior years, you must complete Schedule C (Form 8995-A) before starting Part I.

If none of your aggregations have a qualified business loss in the current year and you don't have a qualified business loss carryforward from prior years, enter the total amounts on the appropriate lines of Form 8995-A, Part II.

## Schedule C (Form 8995-A)—Loss Netting and Carryforward

If any of your trades, businesses, or aggregations have a qualified business loss for the current year or you have a qualified business net loss carryforward from prior years, you must complete Schedule C (Form 8995-A) before starting Part I. This includes prior year loss carryforwards even if the loss was unreported or the trade or business that generated the loss is no longer in existence.

Schedule C (Form 8995-A) offsets your trade or business that generated a qualified business loss against the QBI from your other trades or businesses. The qualified business loss must be apportioned among all your trades or businesses with QBI in proportion to their QBI.

**Note.** The line items for this schedule are computed out of order: first figure line 1, column (a); then skip to lines 2 through 5; and come back to line 1, columns (b) and (c).

**Line 1, column (a).** If you aggregated multiple trades or businesses into a single business on Schedule B (Form 8995-A), enter the aggregation group name, Aggregation 1, 2, 3, etc., instead of entering the business name along with the aggregated trade's or business's QBI.

**Line 2.** This includes the amount reported in the prior year on Schedule C (Form 8995-A), line 6, or if the simplified worksheet was previously used, Form 8995, line 16, including prior year loss carryforwards even if the loss was unreported or the trade or business that generated the loss is no longer in existence. This also includes 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 QBI](#), earlier, and [QBI Loss Tracking Worksheet](#), later.

**Line 1, column (b).** Apportion the amount from line 5 among all your trades or businesses with QBI, but not loss, in proportion to their QBI.

**Line 1, column (c).** Enter this amount on the corresponding line on Form 8995-A, Part II.

**Note.** If the adjusted QBI from the trade or business is zero or less after the reduction for loss netting, then the amount reported for W-2 wages and UBIA of qualified property must be zero for that trade or business, as the W-2 wages and UBIA of qualified property from that trade or business aren't allowed in computing your QBI limitations.

**Line 6.** The amount reported on this line must be reported in the next tax year on Schedule C (Form 8995-A), line 2, or Form 8995, line 3, Qualified business net (loss) carryforward from prior years, as applicable. This amount will offset QBI in subsequent tax years regardless of whether it is reported and whether 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.

**Note.** If you have an overall qualified business net loss carryforward for the year, you don't qualify for a QBI deduction in the current year unless you have qualified REIT dividends or qualified PTP income.

## Schedule D (Form 8995-A)—Special Rules for Patrons of Agricultural or Horticultural Cooperatives

You must complete Schedule D (Form 8995-A) if you're a patron in a specified agricultural or horticultural cooperative and are claiming a QBI deduction in relation to your trade or business conducted with the cooperative. A specified agricultural or

horticultural cooperative is a cooperative that markets or is engaged in the manufacturing, production, growth, or extraction of any agricultural or horticultural products to which Part I of subchapter T applies. See section 199A(g)(3). Also see [TD 9947](#).

**Line 2.** Input the QBI for the trade or business as properly allocable to qualified payments received from the cooperative. Qualified payments include patronage dividends and per-unit retains allocations.

**Line 4.** Enter the portion of W-2 wages from Form 8995-A, line 4, that are allocable to the qualified payments.

## Part I—Trade, Business, and Aggregation Information

You must complete Part I if you have QBI from a qualified trade, business, or aggregation. If you don't have QBI, and only have REIT, PTP, and/or a domestic production activities deduction (DPAD), skip Parts I through III and complete Part IV. Before you begin completing Part I, determine if you need to complete Schedule A, B, or C by answering the following questions.

1. Do you have an SSTB? If yes, see [Schedule A \(Form 8995-A\) Specified Service Trades or Businesses](#), earlier.

2. Are you choosing to aggregate multiple trades or businesses into a single trade or business? If yes, complete Schedule B (Form 8995-A) before starting Part I.

3. Did any of your trades, businesses, or aggregations have QBI for the year or do you have a qualified business loss carryforward from prior years? If yes, complete Schedule C (Form 8995-A) before starting Part I.

**Line 1.** If you aggregated multiple trades or businesses into a single business on Schedule B (Form 8995-A), enter the aggregation group name, for example, Aggregation 1, 2, 3, etc., instead of entering the business name, check the box under 1(c), and leave line 1(d) blank.

Enter on line 1(d) 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 a limited liability company (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 such an EIN, enter the owner's name, and tax identification number.

## Part II—Determine Your Adjusted Qualified Business Income

You must complete Part II if you have QBI from a qualified trade, business, or aggregation.

**Line 2.** If you have four or more trades or businesses, attach a statement with the information for Parts I, II, and III, as

applicable. See [Schedule C \(Form 8995-A\)—Loss Netting and Carryforward](#), earlier.

**Line 4.** Enter your W-2 wages from the trade, business, or aggregation.

**Note.** If the QBI on line 2, for the trade, business, or aggregation, is zero, then the amount reported on line 4, for that trade or business, must also be zero.

**Line 7.** Enter your share of the UBIA for all qualified property for the trade or business.

**Note.** If the QBI on line 2, for the trade, business, or aggregation, is zero, then the amount reported on line 7, for that trade or business, must also be zero.

**Line 14.** Report the amount from Schedule D (Form 8995-A), line 6, if any. Patrons of agricultural or horticultural cooperatives are required to reduce their QBI component by the lesser of:

- 9% of QBI allocable to qualified payments from a specified cooperative, or
- 50% of W-2 wages allocable to qualified payments.

If you're a patron of an agricultural or horticultural cooperative, complete Schedule D (Form 8995-A). See [Schedule D \(Form 8995-A\)—Special Rules for Patrons of Agricultural or Horticultural Cooperatives](#), earlier.

**Line 15.** Subtract the patron reduction on line 14 from the amount on line 13. If zero or less, enter zero.

**Line 16.** Add all amounts reported on line 15. If there are four or more trades or businesses, include line 15 amounts from all trades or businesses and complete line 16 only on the first page. Leave line 16 blank on the attached statements described in the line 2 instructions.

## Part III—Phased-in Reduction

Complete Part III only if your taxable income is more than \$164,900 but not \$214,900 (\$164,925 and \$214,925 if married filing separately; \$329,800 and \$429,800 if married filing jointly) and line 10 is less than line 3. Otherwise, skip Part III.

**Line 20.** See [Taxable income before qualified business income deduction](#), earlier.

## Part IV—Determine Your Qualified Business Income Deduction

If you're claiming a QBI deduction, you must complete Part IV.

**Line 28.** If the net amount is a loss, enter as a negative number.

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 33.** See [Taxable income before qualified business income deduction](#), earlier.



**Line 34.** Enter the amount from your tax return as follows.

- Form 1040, 1040-SR, or 1040-NR filers, your qualified dividends on 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 your qualified dividends.
- Form 1041 filers, your qualified dividends allocable to estates and trusts on line 2b(2). 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 your qualified dividends.

- Form 1041-N filers, your qualified dividends line 2b, plus the smaller of Form 1041-N, Schedule D, lines 10 or 11, unless line 10 or 11 is zero or less, in which case nothing is added to your 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.

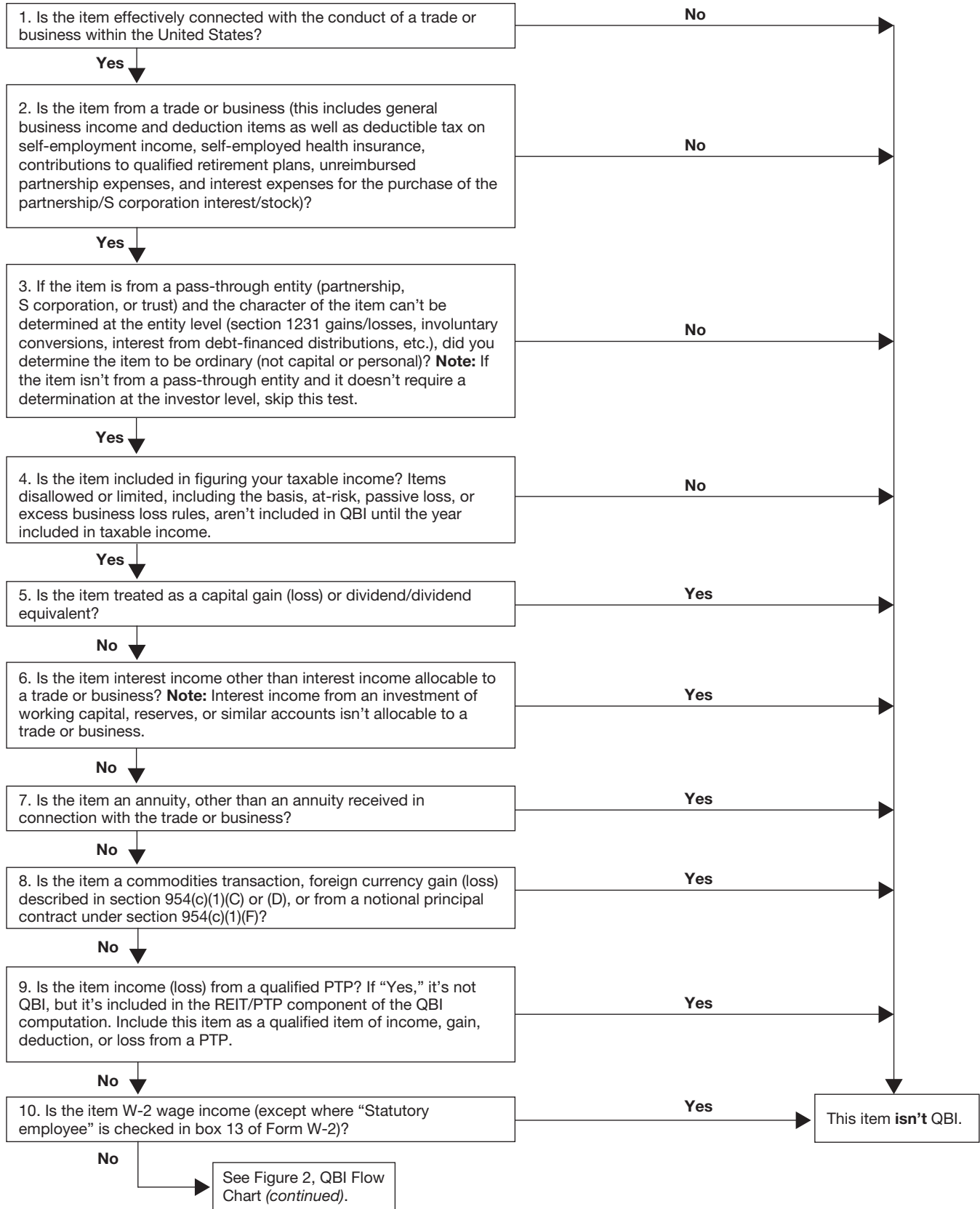
- S-corporation portion of an ESBT, your ESBT Tax Worksheet, line 2b, plus the smaller of your ESBT's Schedule D (Form 1041), line 18(a)(2), or line 19(2), is zero or less, in which case nothing is added to your qualified dividends.

**Line 39.** Enter the amount from line 39 on 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 40.** If the sum of lines 28 and 29 result in a loss (negative number), the loss must be carried forward to next year.

# QBI Flow Chart

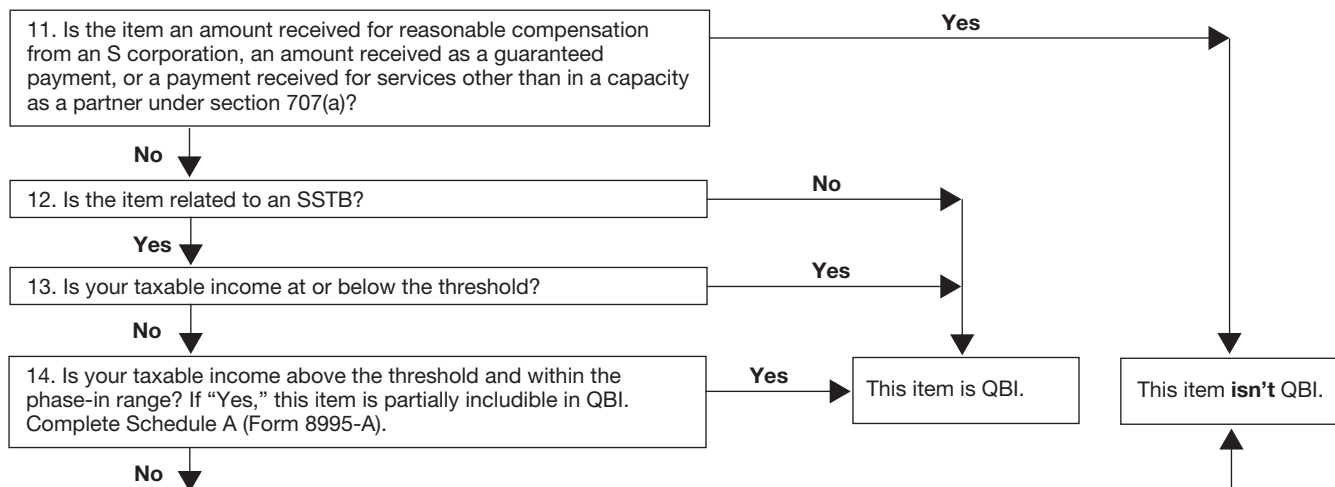
Figure 1. Use this chart to determine if an item of income, gain, deduction, or loss is included in QBI.





## 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 (below), is provided 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 5, 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 5, enter suspended losses allocable to Non-QBI into the appropriate year row (row 1, pre-2018; row 2, 2018; row 3, 2019, etc.).

**Column I. QBI suspended losses.** For rows 2 through 5, enter suspended losses allocable to QBI into the appropriate year row (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 5, 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 6, can't exceed total amount entered in column A, row 6.

**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, row 2, must tie to the amount reported in column G(i), row 6, and the loss reported in column

F, row 3, must tie to the amount reported in column G(ii), row 6, 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), G(iii), and G(iv). 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), K(iii), and K(iv). 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 the year of disallowance under the new limiting Code section for continuation of its suspension. This column along with row 7, addresses 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 7 below.

#### **Row 7. 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. Divide column K(i), row 6, by the sum of column K(i), row 6, and column G(i), row 6, multiplied by column D, row 2, and enter this amount in column K(i), row 7. Written as a formula: column K(i), row 7 = column D, row 2 x (column K(i), row 6 ÷ (column K(i), row 6 + column G(i), row 6)).

Next, compute the amount for Non-QBI for the 2018 row. Divide column G(i), row 6, by the sum of column G(i), row 6, and column K(i), row 6, multiplied by column D, row 2, and enter this amount in column G(i), row 7. Written as a formula: column K(i), row 7 = column D, row 2 x (column G(i), row 6 ÷ (column G(i), row 6 + column K(i), row 6)).

Continue the computation for columns K(ii) and G(ii), K(iii) and G(iii), and then for columns K(iv) and G(iv), except multiply the percentage times the amount in column D, row 3, for 2019, column D, row 4, for 2020, and column D, row 5, for 2021, respectively.

#### **Row 8. Total prior year suspended losses allowed that must be included in QBI.**

The amounts reported in columns K(i), K(ii), K(iii), and/or K(iv) for row 8, equal 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 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. 2021		%		
6. 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	G(iv). Utilized 2021	H. Remaining suspended losses
1. Pre-2018							
2. 2018							
3. 2019							
4. 2020							
5. 2021							
6. Total							
7. 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	K(iv). Utilized 2021	L. Remaining suspended losses
1. Pre-2018							
2. 2018							
3. 2019							
4. 2020							
5. 2021							
6. Total							
7. Allocation of allowed losses limited by other Code sections . . . . .							
8. Total prior year suspended losses allowed that must be included in QBI . . . . .							



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The time needed to complete and file this form will vary depending on individual circumstances.

<b>Form</b>	<b>Record keeping</b>	<b>Learning</b>	<b>Preparing, copying, assembling and sending</b>
8995	4 hrs., 43 min.	51 min.	2 hrs., 6min.
8995-A	7 hrs., 52 min.	1 hr., 53 min.	6 hrs., 6 min.
Schedule A (8895-A)	3 hrs., 16 min.	7 min.	1 hr., 15 min.
Schedule B (8895-A)	1 hr., 34 min.	—	20 min.
Schedule C (8895-A)	1 hr., 19 min.	7 min.	50 min.
Schedule D (8895-A)	1 hr., 5 min.	16 min.	47 min.