Tax Relief: Small Business Deduction

The 20 percent deduction for pass-through entities, one of the key provisions in the Tax Cuts and Jobs Act, means big savings for small business. The 20 percent deduction for pass-through entities, one of the key provisions in the Tax Cuts and Jobs Act, means big savings for small business.

WHAT IS THE DEDUCTION?

The new Section 199A allows small businesses that are organized as pass-throughs to deduct 20 percent of their qualified business income from an S-Corporation, LLC, sole proprietorship, or partnership. The Small Business Deduction will expire on December 31, 2025, if Congress does not make it permanent. Tell Congress to pass the Main Street Tax Certainty Act.

WHO BENEFITS?

Creates a 20% Small Business Deduction for all businesses organized as sole proprietorships, S-Corps, partnerships, and LLCs, with taxable income up to $164,900 individual/$329,800 joint for tax year 2021. For tax year 2022, the threshold amounts are $170,050 individual/$340,100 joint. Eligible businesses above the thresholds can still benefit from the deduction if they are employee intensive or make capital expenditures.

What is qualified business income?

Taxable income generated from a qualified pass-through business. This means the net amount of qualified items of income, gain, deduction, and loss with respect to the trade or business of the taxpayer.

What doesn't qualify as business income?

Any amount paid by an S-Corporation or a partnership that is treated as reasonable compensation for the taxpayer.

This tax relief is set to expire after 2025 unless we urge Congress to make it permanent. Learn more and take action at NFIB.com/taxrelief