



Pass-Through Business Changes

- 20% deduction for qualified income, then individual rates apply
- Has the effect of reducing flow through income from (up to) 37% to (up to) 29%; other limitations apply
- No difference for passive and non-passive owners
- Limitations for professional service providers like lawyers and accountants
- The deduction for qualified business income is subject to a wage limitation, and capped at the greater of (a) 50% of the W-2 wages paid with respect to the business, or (b) 25% of the wages paid with respect to the business plus 2.5% of the company's basis in qualifying property
- In addition, owners of service businesses cannot claim the 20% deduction if the total household taxable income of the owner exceeds \$157,500 for single filers or \$315,000 for married. Only specified service businesses are subject to this limitation.
- Engineering and Architect businesses are specifically excluded from the list of service businesses subject to the wage limitations.
- Trusts and estates are eligible for the 20% deduction