Qualified Business Income Deduction (QBID)

In some cases, TaxWise is not computing the QBID correctly. The preparer will have to do a manual calculation and, in some cases, override the QBID. This applies only to tax returns with self-employment income, Schedule C-EZ or Schedule C, and does not affect state returns.

Here are the steps to take.
1. Complete the rest of the tax return.
2. Open the QBI Wkt Pg 1. It should be in the TaxWise tree.
3. Compare line 6 (QBID before income limitation) and line 10 (Income limitation).
4. If line 6 is larger than line 10, the QBID is correct and you do not need to make any correction.
5. If line 6 is less than line 10, manually compute the QBI:
    Net income from Schedule C minus the self-employment tax deduction, self-employed health insurance adjustment, and contributions to qualified retirement plans.
    ▪ *You can find net income from Schedule C on 1040, Schedule 1, line 12.*
    ▪ *The self-employment tax deduction is ½ of the self-employment tax on1040, Schedule 1, line 27.*
    ▪ *The adjustment for contributions to qualified retirement plans is on 1040, Schedule 1, line 28,*
    ▪ *The adjustment for self-employed health insurance is on 1040, Schedule 1, line 29*.
6. Take the result of step 5 and multiply by 20%. Compare this to line 11 of the QBI Wkt. If it is larger, you do not need to make a correction. If it is less than QBI Wkt line 11, enter it on line 11. You will need to override – F8.

Or, fill out this worksheet:

1. QBI worksheet, line 6 _____

2. QBI worksheet, line 10 _____

3. If the amount on line 1 is more than line 2, STOP. No correction is needed.

4. If the amount on line 1 is less than line 2, continue.

5. 1040, Schedule 1, line 12 _____

6. 1040, Schedule 1, lines 27-29 _____ (Enter the total of lines 27, 28, and 29.)

7. Subtract line 6 from line 5 _____

8. Multiply line 7 by 20% _____

9. If the amount on line 8 is more than line 2, STOP. No correction is needed.

10. If the amount on line 8 is less than line 2, enter the amount on line 8 on the QBI Wkt, line 11.

    You will need to override (F8).