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**Agricultural Law  
& Taxation**

2019 Tax Update

Farm Bureau Webinar  
November 15, 2019

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**QBI Deduction**

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## Qualified Business Income Deduction (I.R.C. § 199A)

Applies to:

- Sole proprietorships
- Partnerships
- S corporations
- Trusts & estates
- Special rules for REITs, PTPs, and agricultural & horticultural cooperatives

**Only in place for tax years 2018 through 2025.**

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## Qualified Business Income Deduction

QBI Deduction = Lesser of:

- 20 percent of “Qualified Business Income”
- 20 percent of (taxable income minus **net capital gain**)

(income above thresholds subject to SSTB and W-2 Wages/Property Limitation)

### 2019 Income Thresholds:

\$160,700 single

\$321,400 MFJ

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## Definition of Qualified Business Income

In general, QBI is the net amount of qualified items of **income, gain, deduction, and loss** with respect to any *qualified trade or business* of the taxpayer.

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## Exclusions from QBI

- REIT Dividends / PTP Income (Special Deduction)
- Wages, Salaries, Guaranteed payments, Reasonable Compensation
- Qualified Dividends
- Interest (unless allocable to trade or business)
- Capital gains and losses
- Annuity Income (unless received in connection with trade or business)
- Income NOT effectively connected with U.S. T or B
- I.R.C. §1231 gains and losses (when treated as capital)

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## Qualified Business Income

- Income from Sale of Farmland – No (if treated as capital)
- Government Program Payments – Yes
- Income from Partnerships, even if passive partner? – Yes, if it's a trade or business
- Recapture income from sale of depreciated equipment – Yes
- Self-Rental Income – Yes, but not if from C Corp.
- Other Rental Income – *If activity rises to the level of a trade or business*

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## Trade or Business

“Section 199A does not require that a taxpayer materially participate in a trade or business in order to qualify for the section 199A deduction.”

- **Not based on taxpayer’s level of participation in a trade or business.**
- Dependent upon whether the individual has QBI from a trade or business.
  - **Ex: Passive partners entitled to QBI deduction from trade or business conducted by the partnership**

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## Rental Income & QBI

- Final regulations did not create a bright line test to clarify “trade or business” questions with respect to rental activities
- Must be IRC § 162 trade or business.
  - There is no bright-line definition of what types of rental activities constitute trades or businesses for purposes of IRC § 162. The courts make trade or business determinations on a case-by-case basis after a highly factual inquiry.

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## Three Ways for Rental Income to Qualify as QBI

1. Trade or Business – Facts and Circumstances Based upon Case Law
2. Rental to a Related Party
3. Rev. Proc. 2019-38 Safe Harbor

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## 1. Trade or Business – Legal Standard

Preamble from final regulations reviews -

- *Higgins v. Commissioner*: “Requires an examination of the facts in each case.” 312 U.S. 212 (1941).
- Courts have developed two definitional requirements:
  1. Profit Motive
  2. **Considerable**, regular, and continuous activity
    - *Commissioner v. Groetzinger*, 480 U.S. 23 (1987).
    - Considerable v. Substantial (Material Participation)
      - “Considerable” **Not** in Supreme Court cases
- Triple net leases hard to qualify.

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## 2. “Special Rule for Renting Property to a Related Person”

§ 1.199A-1(b)(14)

- In addition, rental or licensing of tangible or intangible property (rental activity) that does not rise to the level of a section 162 trade or business is **nevertheless treated as a trade or business** for purposes of section 199A, if the property is **rented or licensed to a trade or business conducted by the individual or an RPE which is commonly controlled under 1.199A-4(b)(1)(i)** (regardless of whether the rental activity and the trade or business are otherwise eligible to be aggregated).

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## Commonly Controlled

The same person or group of persons, **directly or by attribution under sections 267(b) or 707(b)**, owns 50 percent or more of each trade or business to be aggregated...

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## Conducted by the Individual or an RPE

- Final regulations limited to situations in which related party is an **individual or a relevant pass-through entity**.
  - **Eliminates the ability to treat rental income from related C corporation as trade or business** under this rule (proposed regulations allowed)

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## IRC 267(b) Related Parties (Expansion)

- Members of family under § 267(c)(4):
  - Brothers and sisters (whether by the whole or half blood), spouse, ancestors, and lineal descendants (no in-laws or step-children, but includes adopted children).
- Individual and corporation where individual owns (directly or indirectly) more than 50 percent of stock
- Two corporations which are members of the same controlled group (267(f))
- A grantor and a fiduciary of any trust
- A fiduciary of a trust and a fiduciary of another trust, if the same person is a grantor of both trusts

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## Example

- S corporation operates a farming business.
- LLC owns farmland.
- LLC rents farmland to S corp under a triple net lease.
  
- S corp shareholders include Bob, Charles, and Dina (each 1/3 owners)
- LLC (taxed as partnership) owned by Bob, Charles, and Deanne (each 1/3 owners)

Yes, same **persons or group of persons** directly or by attribution **own 50 percent or more of each.**

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## 3. Trade or Business Safe Harbor - Rentals

- **Rev. Proc. 2019-38**
  - Provides a safe harbor under which a rental real estate enterprise will be treated as a trade or business solely for purposes of IRC § 199A.

**Note:** If an enterprise fails to satisfy the requirements of the safe harbor, the rental real estate enterprise *may still be treated as a trade or business* for purposes of § 199A if it otherwise meets the definition of trade or business in § 1.199A-1(b)(14).

- The safe harbor provides assurance for those who meet its parameters.

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## Trade or Business Safe Harbor - Factors

- Maintain separate books and records to reflect income and expenses for each rental “real estate enterprise” (preamble to regs states must have common bank account);
- For taxable years < January 1, 2023, **perform 250 or more hours of rental services per year with respect to the rental enterprise.**
- The taxpayer maintains *contemporaneous records*, including time reports, logs, or similar documents.

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## Trade or Business Safe Harbor - Services

Rental services include the following:

- Advertising to rent or lease the real estate
- Negotiating and executing leases
- Verifying information contained in the prospective tenant applications
- Collection of rent
- Daily operation, maintenance, and repair of the property
- Management of the real estate
- Purchase of materials
- Supervision of employees and independent contractors

**These activities may be performed by owners or employees, agents, or independent contractors of the owners.**

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## Trade or Business Safe Harbor - Services

Time devoted to the following financial or investment management activities **will not constitute rental activities** and cannot be counted toward the 250-hour requirement:

- Arranging financing
- Procuring property
- Studying and reviewing financial statements or reports on operations
- Planning, managing, or constructing long-term capital improvements
- Hours spent traveling to and from the real estate

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## Other Deductions Reduce QBI

...Deductions **attributable to a trade or business** are taken into account for purposes of computing QBI to the extent that the requirements of section 199A and §1.199A-3 are otherwise satisfied.

The following deductions reduce QBI if gross Income from T or B used to calculate:

- Deductible portion of SE tax
- Self-employed health insurance deduction
- Contributions to qualified retirement plans

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## Effect of other deductions

	<u>no reduction</u>	<u>reduction</u>
Farm QBI	140,000	140,000
Less ½ SE tax	0	(9,891)
Less health Ins	<u>0</u>	<u>(5,000)</u>
Net QBI	140,000	125,109
	<u>x 20%</u>	<u>x 20%</u>
QBID	28,000	25,022
	impact!	\$2,978

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## Retirement Plans - 80 Percent Deduction?

- This allocation of deductions to QBI makes a ROTH IRA or ROTH 401K or other *nondeductible contributions* a more attractive option.
  - **Unless high income client is trying to qualify for QBI deduction**, deductible contributions will reduce taxable income *and* QBI. And they will be 100 percent deductible upon withdrawal.

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## Taxable Income Limit

### **QBID cannot exceed (Taxable income - “Net capital gains”) x 20%**

“Net capital gain” means the excess of the net long-term capital gain for the taxable year over the net short-term capital loss for such year plus qualified dividends.

### **Net capital gains includes LTCG and:**

- Unrecaptured 1250 gain (25%)
- Collectibles gain (28%)
- 1202 gain (Qualified small business stock – 28%)
- Qualified dividends

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## Capital Gains

Calculation  
of QBI

Taxable income  
limit for  
calculating the  
QBI deduction

Taxable income  
for determining  
whether it exceeds  
the threshold or  
phasein range

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## Capital Gains

Calculation  
of QBI

Taxable income  
limit for  
calculating the  
QBI deduction

Taxable income  
for determining  
whether it exceeds  
the threshold or  
phase-in range

*Capital gains  
OUT*

*Capital gains  
OUT*

*Capital gains  
IN*

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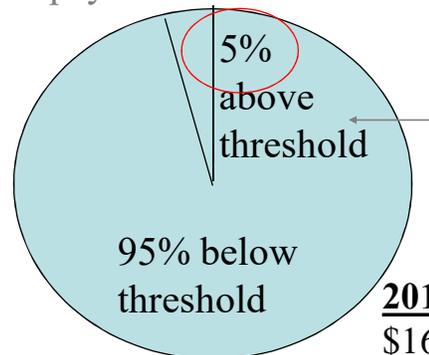
Form <b>8995</b>		Qualified Business Income Deduction Simplified Computation		OMB No. 1545-0047
Department of the Treasury Internal Revenue Service		▶ Attach to your tax return. ▶ Go to <a href="http://www.irs.gov/Form8995">www.irs.gov/Form8995</a> for instructions and the latest information.		<b>2019</b> Attachment Sequence No. <b>55</b>
Name(s) shown on return			Your taxpayer identification number	
1	(a) Trade, business, or aggregation name	(b) Taxpayer identification number	(c) Qualified business income or (loss)	
i				
ii				
iii				
iv				
v				
2	Total qualified business income or (loss). Combine lines 1i through 1v, column (c)	2		
3	Qualified business net (loss) carryforward from the prior year	3		
4	Total qualified business income. Combine lines 2 and 3. If zero or less, enter -0-	4		
5	Qualified business income component. Multiply line 4 by 20% (0.20)		5	
6	Qualified REIT dividends and publicly traded partnership (PTP) income or (loss) (see instructions)	6		
7	Qualified REIT dividends and qualified PTP (loss) carryforward from the prior year	7		
8	Total qualified REIT dividends and PTP income. Combine lines 6 and 7. If zero or less, enter -0-	8		
9	REIT and PTP component. Multiply line 8 by 20% (0.20)		9	
10	Qualified business income deduction before the income limitation. Add lines 5 and 9		10	
11	Taxable income before qualified business income deduction	11		
12	Net capital gain (see instructions)	12		
13	Subtract line 12 from line 11. If zero or less, enter -0-	13		
14	Income limitation. Multiply line 13 by 20% (0.20)		14	
15	Qualified business income deduction. Enter the lesser of line 10 or line 14. Also enter this amount on the applicable line of your return		15	
16	Total qualified business (loss) carryforward. Combine lines 2 and 3. If greater than zero, enter -0-		16	
17	Total qualified REIT dividends and PTP (loss) carryforward. Combine lines 6 and 7. If greater than zero, enter -0-		17	

For Privacy Act and Paperwork Reduction Act Notice, see instructions. Cal. No. 37806C Form 8995 (2019)

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## Taxpayers with Income above and below

Share of taxpayers that take the 199A



### **2019 Thresholds:**

\$160,700 single

\$321,400 MFJ

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## W-2 and Capital Limit

- QBI x 20%
- Taxable Income x 20%
- *THEN a 3<sup>rd</sup> limit, if above threshold:*

W-2 and Capital Limit:

Greater of:

50% of W-2 wages, or

25% of W-2 wages, + 2.5% of UBIA of qualified property

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## W-2 And Capital Limit (MFJ)

3 different calculations, depending on income:

<b>421,400</b>	Full wage and capital limitation
↑ ↓	Phase in period: Partial wage and capital limitation
<b>321,400</b>	No wage and capital limitation

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Form <b>8995-A</b> <small>Department of the Treasury Internal Revenue Service</small> <small>Name(s) shown on return</small>	<b>Qualified Business Income Deduction</b> <small>▶ Attach to your tax return. ▶ Go to <a href="http://www.irs.gov/Form8995A">www.irs.gov/Form8995A</a> for instructions and the latest information.</small>	<small>OMB No. 1545-0047</small> <b>2019</b> <small>Attachment Sequence No. 55A</small> Your taxpayer identification number			
<b>Part I Trade, Business, or Aggregation Information</b> <small>Complete the schedules for Form 8995-A, (A, B, C, and/or D), as applicable, before starting Part I. Attach additional worksheets when needed. See instructions.</small>					
1	<small>(a) Trade, business, or aggregation name</small>	<small>(b) Check if specified service</small>	<small>(c) Check if aggregation</small>	<small>(d) Taxpayer identification number</small>	<small>(e) Check if patron</small>
A		<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>
B		<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>
C		<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>
<b>Part II Determine Your Adjusted Qualified Business Income</b>					
	A	B	C		
2	Qualified business income from the trade, business, or aggregation. See instructions . . . . .				
3	Multiply line 2 by 20% (0.20). If your taxable income is \$160,700 or less (\$160,725 if married filing separately, \$321,400 if married filing jointly); skip lines 4 through 12 and enter the amount from line 3 on line 13 . . . . .				
4	Allocable share of W-2 wages from the trade, business, or aggregation . . . . .				
5	Multiply line 4 by 50% (0.50) . . . . .				
6	Multiply line 4 by 25% (0.25) . . . . .				
7	Allocable share of the unadjusted basis immediately after acquisition (UBIA) of all qualified property . . . . .				
8	Multiply line 7 by 2.5% (0.025) . . . . .				
9	Add lines 6 and 8 . . . . .				
10	Enter the greater of line 5 or line 9 . . . . .				
11	W-2 wage and qualified property limitation. Enter the smaller of line 3 or line 10 . . . . .				
12	Phased-in reduction. Enter amount from line 26, if any. See instructions . . . . .				
13	Qualified business income deduction before patron reduction. Enter the greater of line 11 or line 12 . . . . .				
14	Patron reduction. Enter the amount from Schedule D (Form 8995-A), line 6, if any . . . . .				
15	Qualified business income component. Subtract line 14 from line 13 . . . . .				
16	Total qualified business income component. Add all amounts reported on line 15 . . . . .				

		A	B	C
<b>Part III</b>	<b>Phased-in Reduction</b>			
<i>Complete Part III only if your taxable income is more than \$160,700 but not \$210,700 (\$160,725 and \$210,725 if married filing separately; \$321,400 and \$421,400 if married filing jointly) and line 10 is less than line 3. Otherwise, skip Part III.</i>				
17	Enter amounts from line 3	17		
18	Enter the amounts from line 10	18		
19	Subtract line 18 from line 17	19		
20	Taxable income before qualified business income deduction	20		
21	Threshold. Enter \$160,700 (\$160,725 if married filing separately; \$321,400 if married filing jointly)	21		
22	Subtract line 21 from line 20	22		
23	Phase-in range. Enter \$50,000 (\$100,000 if married filing jointly)	23		
24	Phase-in percentage. Divide line 22 by line 23	24		
25	Total phase-in reduction. Multiply line 19 by line 24	25		
26	Qualified business income after phase-in reduction. Subtract line 25 from line 17. Enter this amount here and on line 12, for the corresponding trade or business	26		
<b>Part IV</b>	<b>Determine Your Qualified Business Income Deduction</b>			
27	Total qualified business income component from all qualified trades, businesses, or aggregations. Enter the amount from line 16	27		
28	Qualified REIT dividends and publicly traded partnership (PTP) income or (loss). See Instructions	28		
29	Qualified REIT dividends and PTP (loss) carryforward from prior years	29	( )	
30	Total qualified REIT dividends and PTP income. Combine lines 28 and 29. If less than zero, enter -0-	30		
31	REIT and PTP component. Multiply line 30 by 20% (0.20)	31		
32	Qualified business income deduction before the income limitation. Add lines 27 and 31	32		
33	Taxable income before qualified business income deduction	33		
34	Net capital gain. See Instructions	34		
35	Subtract line 34 from line 33. If zero or less, enter -0-	35		
36	Income limitation. Multiply line 35 by 20% (0.20)	36		
37	Qualified business income deduction before the domestic production activities deduction (DPAD) under section 199A(g). Enter the smaller of line 32 or line 36	37		
38	DPAD under section 199A(g) allocated from an agricultural or horticultural cooperative. Don't enter more than line 33 minus line 37	38		
39	Total qualified business income deduction. Add lines 37 and 38	39		
40	Total qualified REIT dividends and PTP (loss) carryforward. Combine lines 28 and 29. If zero or greater, enter -0-	40	( )	

## New Schedules for 2019

[Schedule A](#) is for Specified Service Trades or Businesses

[Schedule B](#) is for Aggregation of Business Operations

[Schedule C](#) is for Loss Netting and Carryforward

[Schedule D](#) provides Special Rules for Patrons of Agricultural or Horticultural Cooperatives

<b>SCHEDULE C</b> <b>(Form 8995-A)</b> <small>Department of the Treasury Internal Revenue Service</small>		<b>Loss Netting and Carryforward</b> ▶ Attach to Form 8995-A. ▶ Go to <a href="http://www.irs.gov/Form8995A">www.irs.gov/Form8995A</a> for instructions and the latest information.		<small>OMB No. XXXX-XXXX</small> <b>2019</b> <small>Attachment Sequence No. 55D</small>
<small>Name(s) shown on return</small>			<small>Your taxpayer identification number</small>	
<small>If you have more than three trades, businesses, or aggregations, complete and attach as many Schedules C as needed. See instructions.</small>				
1	Trade, business, or aggregation name	(a) Qualified business income/(loss)	(b) Reduction for loss netting (see instructions)	(c) Adjusted qualified business income (Combine (a) and (b). If zero or less, enter -0-)
<div style="font-size: 2em; opacity: 0.5; position: absolute; top: 50%; left: 50%; transform: translate(-50%, -50%); pointer-events: none;">             DRAFT AS OF              July 26, 2019              DO NOT FILE           </div>				
2	Qualified business net (loss) carryforward from prior years. See instructions . . . . .			2 (            )
3	Total of the trades, businesses, or aggregations losses. Combine the negative amounts on lines 1, column (a), and 2 for all trades, businesses, or aggregations . . . . .			3 (            )
4	Total of the trades, businesses, or aggregations income. Add the positive amounts on line 1, column (a), for all trades, businesses, or aggregations . . . . .			4 (            )
5	Losses netted with income of other trades, businesses, or aggregations. Enter in the parentheses on line 5, the smaller of the absolute value of line 3 or line 4. Allocate this amount to each of the trades, businesses, or aggregations on line 1, column (b). See instructions . . . . .			5 (            )
6	Qualified business net (loss) carryforward. Subtract line 5 from line 3. If zero or more, enter -0- . . . . .			6 (            )

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## Remember the QBI Loss

### You don't always want the rental to be a trade or business (QBI Loss)

- Safe harbor requirements don't shield you from IRS determining it's a T or B for QBI Loss ("I only spend 200 hours on the property")
- 2016 Stats:
  - Total net profit on Schedule E returns was \$10,196,020,000
  - **Total net loss was \$5,132,470,000**

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**QBI for Cooperatives and Patrons**

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## **Consolidated Appropriations Act, 2018 Provided Fix to “Grain Glitch” (March 2018)**

- Section 101 of Division T of the Consolidated Appropriations Act, 2018, Public Law 115-141, 132 Stat. 348, 1151 (2018 Act).
- Section 13305 of Public Law 115-97, 131 Stat. 2054, 2063 (TCJA) repealed IRC § 199.



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**Q35. I am a farmer who is a patron of a Specified Cooperative. Could I be entitled to two deductions under section 199A?**

A35. Yes. A farmer can have a qualified trade or business that generates a QBI deduction and could be passed through a Section 199A(g) deduction from the Specified Cooperative of which the farmer is a patron. Regardless of whether the section 199A(g) deduction was passed through, the farmer would have to determine whether their QBI deduction is subject to the patron reduction under section 199A(b)(7). The farmer may take any Section 199A(g) deduction passed through to the extent of their taxable income determined after their QBI deduction.

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## 199A Patron Reduction

- Patrons selling to cooperatives must calculate 20% QBI deduction, then subtract **lesser** of:
  - 9% of QBI attributable to qualified payments received from cooperative
  - 50 percent W-2 wages attributable to qualified payments
    - ***Note if they pay no wages, there is no reduction (20% QBI deduction)***
    - *Those who pay wages typically get only an 11% QBI deduction*

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## 199A(g) – New DPAD

- IRC § 199A(g) allows coops to take a deduction equal to 9 percent of qualified production activities income (income-expenses). This deduction, as with DPAD, is limited to 50 percent of W-2 wages paid.

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## 199A(g)

- Cooperative can choose to pass none, some, or all of the 199A(g) deduction through to patrons (just like old 199 DPAD).
- This **199A(g)** deduction for patrons is limited only by 100% of taxable income (not subtracting capital gain). Not subject to W-2 Wage/Property limitation.
- If cooperative passes through deduction (may be up to 9% of QPAI), some farmers will get greater than 20 percent 199A deduction.
  - If not, some only have 11%.

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## QBI Rules for Patrons of Cooperatives

- C corporations, including cooperatives or patrons, are not eligible for the 199A(a) QBI deduction.
- Trusts (other than grantor trusts) can be eligible for the 199A(a) QBI deduction.
- Estates can be eligible for the 199A(a) QBI deduction.

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## DPAD Transition Rule

- Applies to farmers who received a **qualified payment** in 2018 (or later) attributable to QPAI for which 199 DPAD was applicable.
  - Any QPAI attributable to a **cooperative tax year beginning before 2018**.
    - *Ex: Sold grain in March 2018 to coop with fiscal year ending June 30, 2018.*
- These farmers can take pass-through 199 DPAD (old) deduction on their 2018 return. **But 199A deduction was not allowed for such payments.**

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Form **8995-A** **Qualified Business Income Deduction** OMB No. XXXX-XXXX  
 Department of the Treasury Internal Revenue Service **2019** Attachment Sequence No. 55A  
 Name(s) shown on return **Go to [www.irs.gov/Form8995A](http://www.irs.gov/Form8995A) for instructions and the latest information.** Your taxpayer identification number

**Part I Trade, Business, or Aggregation Information**  
 Complete the schedules for Form 8995-A, (A, B, C, and/or D), as applicable, before starting Part I. Attach additional worksheets when needed. See instructions.

1	(a) Trade, business, or aggregation name	(b) Check if specified service	(c) Check if aggregation	(d) Taxpayer identification number	(e) Check if patron
A		<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>
B		<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>
C		<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>

**Part II Determine Your Adjusted Qualified Business Income**

	A	B	C
2 Qualified business income from the trade, business, or aggregation. See instructions.	2		
3 Multiply line 2 by 20% (0.20). If your taxable income is \$160,700 or less (\$160,725 if married filing separately; \$321,400 if married filing jointly), skip lines 4 through 12 and enter the amount from line 3 on line 13.	3		

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**SCHEDULE D (Form 8995-A)** **Special Rules for Patrons of Agricultural or Horticultural Cooperatives** OMB No. 1545-0047  
 Department of the Treasury Internal Revenue Service **2019** Attachment Sequence No. 55A  
 Name(s) shown on return **Go to [www.irs.gov/Form8995A](http://www.irs.gov/Form8995A) for instructions and the latest information.** Your taxpayer identification number

Complete Schedule D only if you're a patron of an agricultural or horticultural cooperative. If you have more than the businesses, or aggregations, attach as many Schedules D as needed. See instructions.

	A	B
1a Trade, business, or aggregation name	1a	
1b Taxpayer identification number	1b	
2 Qualified business income allocable to qualified payments received from cooperative. See instructions.	2	
3 Multiply line 2 by 9% (0.09)	3	
4 W-2 wages from trade or business allocable to the qualified payments	4	
5 Multiply line 4 by 50% (0.50)	5	
6 Patron reduction. Enter the smaller of line 3 or line 5. Enter this amount on Form 8995-A, line 14, for the corresponding trade, business, or aggregation.	6	

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PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Patronage dividends	OMB No. 1545-0118
		2 Nonpatronage distributions	<b>2019</b>
		3 Per-unit retain allocations	
PAYER'S TIN	RECIPIENT'S TIN	4 Federal income tax withheld	<b>Taxable Distributions Received From Cooperatives</b>  <b>Copy A</b> <b>For Internal Revenue Service Center</b> <b>File with Form 1096.</b> For Privacy Act and Paperwork Reduction Act Notice, see the 2019 General Instructions for Certain Information Returns.
RECIPIENT'S name		5 Redemption of nonqualified notices and retain allocations	
Street address (including apt. no.)		6 Domestic production activities deduction	
City or town, state or province, country, and ZIP or foreign postal code		7 Qualified payments	
Account number (see instructions)		8 Investment credit	
2nd TIN not <input type="checkbox"/>		9 Work opportunity credit	
		10 Patron's AMT adjustment	
		11 Other credits and deductions	

Form **1099-PATR**    Cat. No. 14435F    www.irs.gov/Form1099PATR    Department of the Treasury - Internal Revenue Service

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PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Patronage dividends	OMB No. 1545-0118
		2 Nonpatronage distributions	<b>2020</b>
		3 Per-unit retain allocations	
PAYER'S TIN	RECIPIENT'S TIN	4 Federal income tax withheld	<b>Taxable Distributions Received From Cooperatives</b>  <b>Copy A</b> <b>For Internal Revenue Service Center</b> <b>File with Form 1096.</b> For Privacy Act and Paperwork Reduction Act Notice, see the 2020 General Instructions for Certain Information Returns.
RECIPIENT'S name		5 Redeemed nonqualified notices	
Street address (including apt. no.)		6 Section 199A(j) deduction	
City or town, state or province, country, and ZIP or foreign postal code		7 Qual. payments (Sec. 199A(b)(7))	
Account number (see instructions)		8 Section 199A(j) qual. items	
2nd TIN not <input type="checkbox"/>		9 Section 199A(j) SSTB items	
		10 Investment credit	
		11 Work opportunity credit	
		12 Other credits and deductions	
		13 Multiple T/E <input type="checkbox"/>	

Form **1099-PATR**    Cat. No. 14435F    www.irs.gov/Form1099PATR    Department of the Treasury - Internal Revenue Service

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## Using the 199A(g) Deduction (New DPAD)

- Patrons to whom the specified cooperative passes the §199A(g) deduction may deduct it **up to the amount of their taxable income** (in the tax year the written notice is received, which is on or before the due date of the Form 1099-PATR).
- No W-2 wages limitation.
- Taxable income for this purpose takes into account the §199A QBI deduction, but not the §199A(g) deduction.
  - Remember that the 199A QBI deduction is limited to 20 percent of the taxpayer's taxable income minus net capital gain.

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## Health Care Still Difficult

- Beginning this year, no shared responsibility payment if you don't have health insurance.
  - This does not solve premium problems, but does provide options for other types of coverage
    - Association plans
- Watch out for advance premium tax credits on Marketplace
  - They make insurance affordable, but come with danger.

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## Advanced Premium Tax Credit May Come with Danger

*Keel v. Commissioner (2018)*

- Income exceeded 400% FPL because of cancellation of debt.
  - \$12,000 wages, \$27,210 Supplemental, \$16,164 Discharge of Indebtedness
- **APTC** had to be repaid

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## No Discretion for Sympathetic Circumstances

*O'Connor v. Commissioner (2018)*

- Climbed above FPL because of sale of family heirlooms when husband suffered terminal cancer.
- Court said no leeway, had to repay.



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## Financial Distress Compounds Issue



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 Our April newsletter summarizes key happenings in agricultural and tax law for the month of April. Included is a review of the 2019 Iowa Legislative Session and its impact on agricultural producers and landowners.  
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May 14, 2019 AALA Webinar: Examining the Farm Financial Climate and Counseling...  
Jul 18 to Jul 19, 2019 ONSITE and ONLINE: Summer Seminar [More](#)

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## Questions?



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