



## Tax Relief:

### Small Business Deduction

The 20% 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% of their qualified business income from an S-Corporation, sole proprietorship, or partnership. The Small Business Deduction will expire on December 31, 2025, if Congress does not make it permanent.

## WHO BENEFITS?

Creates a 20% Small Business Deduction for all businesses organized as sole proprietorships, S-Corps, and partnerships, with taxable income up to \$191,950 individual/\$383,900 joint for tax year 2024. For tax year 2025, the threshold amounts are \$197,300 individual/\$394,600 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.

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