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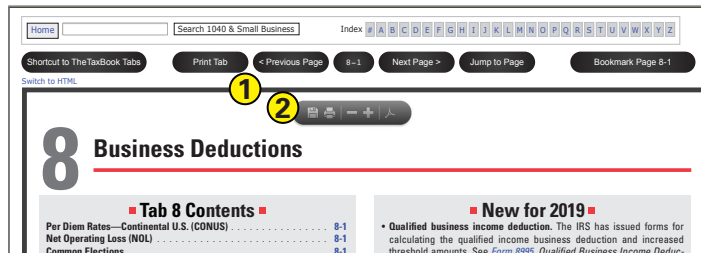
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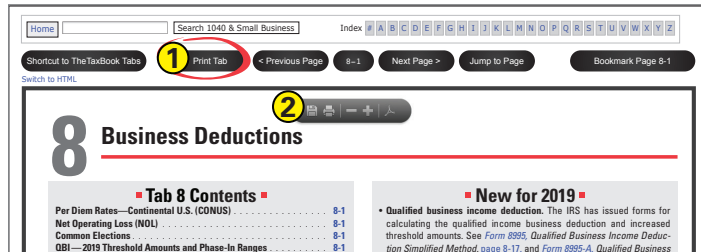


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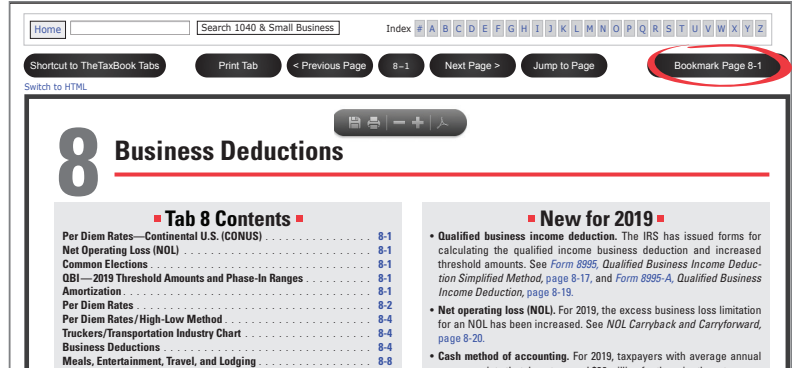
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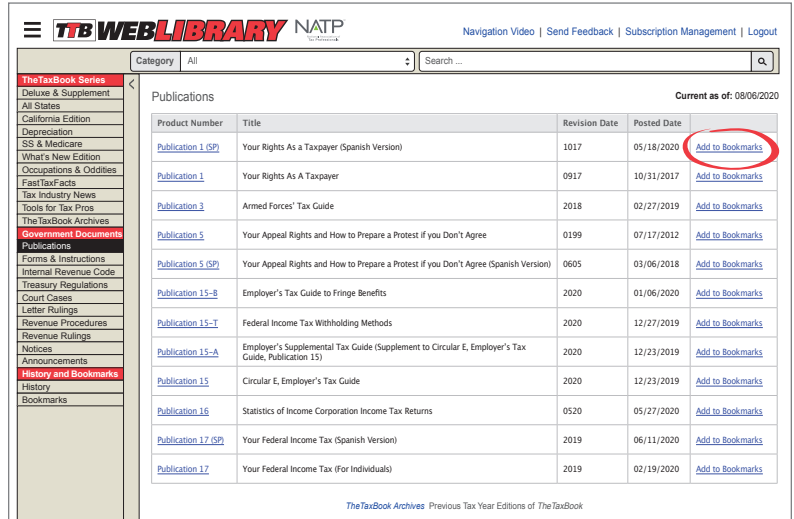
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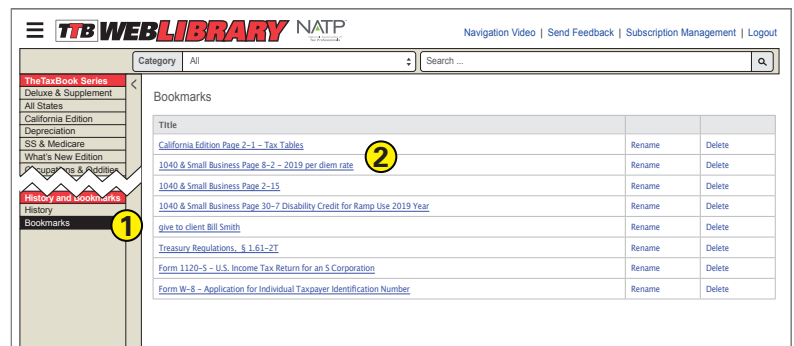
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## 8 Business Deductions

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Per Diem Rates—Continental U.S. (CONUS)

Effective:	10/1/19–9/30/20	10/1/18–9/30/19
M&IE	\$55	\$55
Lodging	\$86	\$94

For higher localities, see *Per Diem Rates*, page 8-2.

**Net Operating Loss (NOL)** (See page 8-20)

**Default Rule:** Effective for losses arising in tax years ending after December 31, 2017, the NOL deduction is limited to 80% of taxable income.

• Carryback period—none. • Carryforward period—indefinite.

	Exceptions to the Default Rule	
	Farming Loss	Property and Casualty Insurance Companies
2-year Carryback	Yes	Yes
20-year Carryforward	n/a – indefinite carryforward	Yes

**80%-of-Taxable-Income Limit**

	Yes	No
Farming loss. A farming loss is the smaller of the NOL for the year or the NOL computed considering only farming income and deductions.	Yes	No
Property and casualty insurance companies. Applies to insurance companies other than a life insurance company.	Yes	No

**Election to waive carryback.** An election may be made to waive the carryback period. See *Election to waive carryback period for farming loss*, page 8-21.

**Note:** When computing a taxpayer's NOL, the 20% qualified business income deduction is not taken into account. See *Qualified Business Income (QBI) Deduction (IRC §199A)*, page 8-15.

TheTaxBook™—2019 Tax Year

**New for 2019**

- Qualified business income deduction. The IRS has issued forms for calculating the qualified business income deduction and increased threshold amounts. See *Form 8995, Qualified Business Income Deduction Simplified Method*, page 8-17, and *Form 8995-A, Qualified Business Income Deduction*, page 8-19.
- Net operating loss (NOL). For 2019, the excess business loss limitation for an NOL has been increased. See *NOL Carryback and Carryforward*, page 8-20.
- Cash method of accounting. For 2019, taxpayers with average annual gross receipts that do not exceed \$28 million for the prior three tax-year period are allowed to use the cash method of accounting. See *Gross receipts test*, page 8-23.

**Common Elections**

- Election to capitalize carrying charges, page 8-5.
- Election to waive NOL carryback period for farming loss, page 8-21.
- Election to deduct up to \$5,000 in start-up or organizational costs, page 8-22.
- Election to adopt a tax year other than a calendar year, page 8-26.
- Election to use a tax year other than a required tax year for a partnership, S corporation or PSC, page 8-26.

**QBI—2019 Threshold Amounts and Phase-In Ranges** (See page 8-15)

	Single, HOH	MFJ	MFS
Threshold Amount	\$160,700	\$321,400	\$160,725
Phase-In Range	\$160,701 to \$210,700	\$321,401 to \$421,400	\$160,726 to \$210,725
Full Limitation Applies*	\$210,701	\$421,401	\$210,726

\* For specified service trade or business (SSTB), no QBI deduction.

**Amortization** (See page 8-21)

A business deduction for amortization is first reported on Part VI, Form 4562, *Depreciation and Amortization*. The deductible amount is then carried to the "other expenses" line on the tax return.

	Period	IRC Code Section
Calculation expenditures*	3-years	59(e)
Research and experimental costs*	10-years	59(e)
Research and experimental costs	60-months	174
Intangible drilling costs*	60-months	59(e)
Mining development costs*	10-years	59(e)
Mining exploration costs*	10-years	59(e)
Pollution control facilities	60-months	169
Cost of acquiring a lease	lease term	178
Reforestation expenditures	84-months	194
Business start-up costs	180-months	195
Goodwill and other intangibles	15-years	197
Corporate organizational costs	180-months	249
Partnership organizational costs	180-months	709

\* Optional write-off method [IRC §59(e)]. No AMT adjustment required. See *Form 6251—AMT Adjustments Summary Chart*, page 14-2.

Business Deductions 8-1