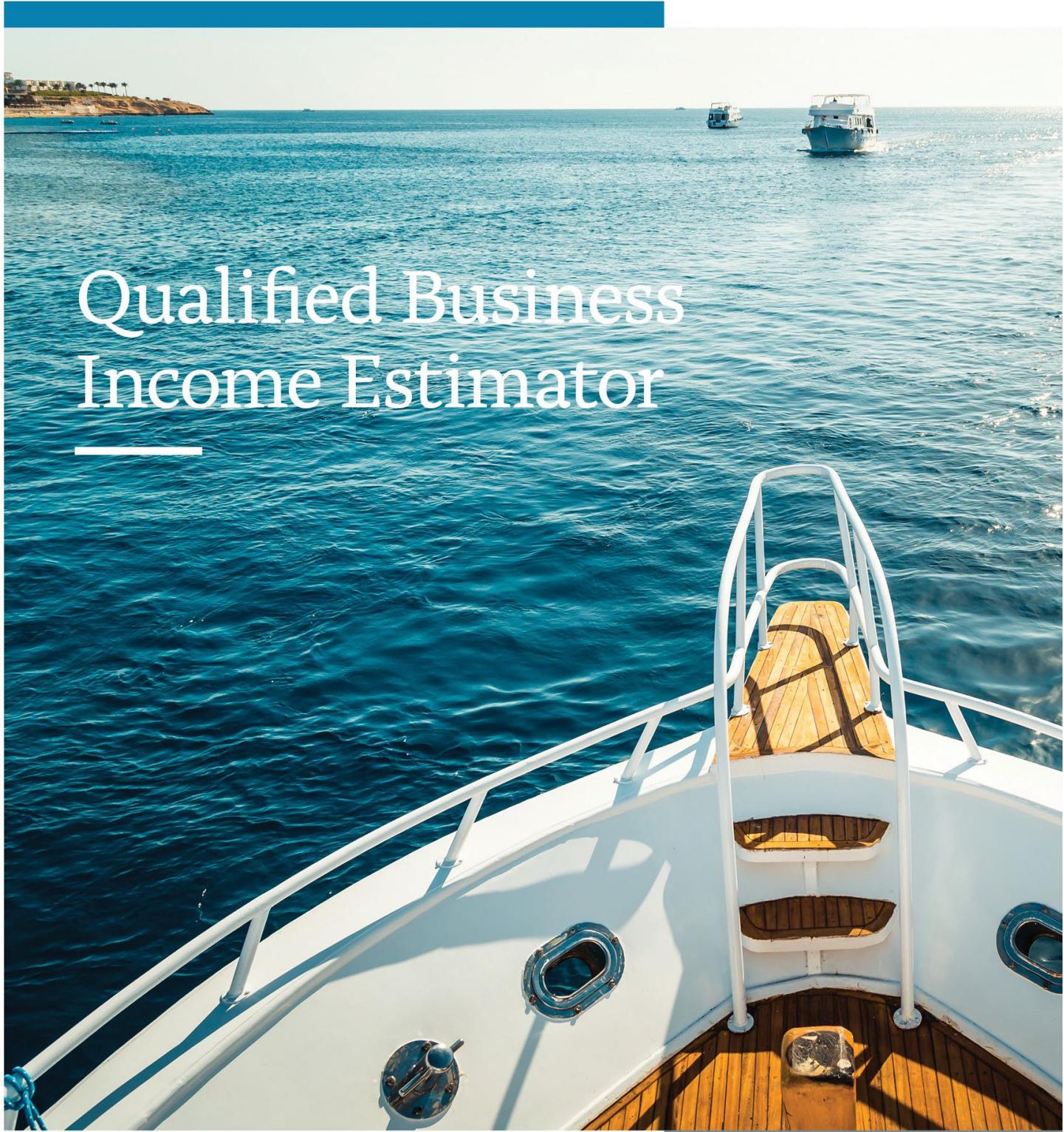




THE
NAUTILUS
GROUP®

Qualified Business Income Estimator



Estimated Tax Deduction from Qualified Business Income

Qualified business income deduction – In general

The Tax Cuts and Jobs Act of 2017 added Internal Revenue Code §199A, which provides a deduction of up to 20% of qualified business income (QBI) for certain owners of pass-through entities. The deduction is potentially available to owners of S corporations, partnerships, sole proprietorships, and limited liability companies taxed as pass-through entities, subject to income thresholds, wage and property limitations, and exclusions for specified service trades or businesses. For tax year 2025, the deduction is available in full for taxpayers with taxable income below \$394,600 if married filing jointly (\$197,300 for all other filers. If taxable income exceeds these thresholds, the deduction is subject to limitations and, for certain businesses, phased out entirely above \$494,600 if married filing jointly (\$247,300 for all other filers). For tax year 2026, the income thresholds and phase-out ranges applicable to the §199A deduction are indexed for inflation. Final dollar amounts are published annually by the IRS. Once taxable income exceeds the applicable threshold, the deduction may be limited and, in the case of specified service trades or businesses, may be partially or fully phased out.

Wage and property limitations

For businesses that are not specified service trades or businesses, the deduction is limited to the lesser of 20% of qualified business income or the greater of 50% of W-2 wages paid by the business, or 25% of W-2 wages plus 2.5% of the unadjusted basis of qualified depreciable property. Specified service trades or businesses include professions such as health, law, accounting, consulting, performing arts, athletics, and financial services, as well as businesses where the principal asset is the reputation or skill of one or more owners or employees. For these businesses, the deduction is phased out and ultimately disallowed once taxable income exceeds the applicable thresholds. Qualified business income excludes wages paid to owners and guaranteed payments to partners. The deduction is also subject to an overall limitation equal to 20% of taxable income reduced by net capital gains.

Qualified business income estimation

The following assumptions were considered to estimate your QBI deduction:

- Your pass-through entity is a specified service provider;
- Your filing status is married filing jointly;
- Your taxable income is \$450,000 and your pass-through income is \$200,000;
- You own 100% of the pass-through entity; and
- The pass-through entity reports W-2 wages of \$75,000 and the unadjusted basis of the company's assets is \$100,000.

Based on these assumptions and using inflation-indexed §199A thresholds, the estimated qualified business income deduction reflects the partial phase-out applicable within the specified service trade or business income range. Actual results will depend on final IRS-published threshold amounts for the applicable tax year. This example is for informational purposes only. The availability and amount of any qualified business income deduction depend on individual facts and current IRS guidance. Taxpayers should consult their own tax advisors before making planning decisions or reporting business income.

As a result of H.R.1 of the 119th Congress (commonly known as the One Big Beautiful Bill Act), the estate, gift, and generation skipping tax exemptions amounts enacted under the Tax Cuts and Jobs Act of 2017 were made permanent. Effective January 1, 2026, the exemption amount will be \$15 million per person (\$30 million for a married couple), with annual adjustments for inflation. For asset transfers in excess of the applicable exemption amount and otherwise subject to such taxes, the highest applicable federal tax rate remains at 40%. In addition, under different rates, rules, and exemption amounts (if any), there may be state and local estate, inheritance, or gift taxes that apply in your circumstances. Please consult your own tax or legal advisor for advice pertaining to your specific situation. This tax-related discussion reflects an understanding of generally applicable rules and was prepared to assist in the promotion or marketing of the transactions or matters addressed. It is not intended (and cannot be used by any taxpayer) for the purpose of avoiding any IRS penalties that may be imposed upon the taxpayer. New York Life Insurance Company, its agents and employees may not give legal, tax or accounting advice. Individuals should consult their own professional advisors before implementing any planning strategies. This material is provided for informational purposes only. The assumptions used in this material rely upon data provided by the client. Should the data have material omissions or be incomplete, the observations made herein may not be appropriate for the client's situation. This information should be used in conjunction with other factors and considerations specific to the client's situation. It should not serve as the sole basis for any planning actions which might be taken. These materials are prepared by The Nautilus Group®, a service of New York Life Insurance Company, and are made available to all Nautilus Group member agents and, as a courtesy, to select agents of New York Life Insurance Company. SMRU 5016383 Exp. 12/31/2028