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IRS Clarifies Freight Brokerage Will Qualify for 20% Qualified Business Income Deduction

[TAX, TAX REFORM, TRANSPORTATION & LOGISTICS](#)

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The Internal Revenue Service issued proposed regulations on August 8, 2018 related to the new Section 199A Deduction, also known as the Qualified Business Income Deduction (QBI). Available for the first time in 2018, the 20% deduction would be available to certain flow-through business owners and self-employed individuals to apply against their qualified business income.

When the Tax Cuts and Jobs Act was signed in December 2017, brokerage services were included as “Specified Services”, which were ineligible for the 20% QBI deduction. Although brokerage services were not defined at that time, it was unclear whether they included insurance brokers, real estate brokers or freight brokers, among others.

The proposed regulations clarify that only security brokers are “Specified Services” and excluded from the QBI deduction. The introduction to the proposed regulation states:

Proposed §1.199A-5(b)(2)(x) uses the ordinary meaning of “brokerage services” and provides that the field of brokerage services includes services in which a person arranges transactions between a buyer and a seller with respect to securities (as defined in section 475(c)(2)) for a commission or fee. This includes services provided by stock brokers and other similar professionals, but does not include services provided by real estate agents and brokers, or insurance agents and brokers.

We will continue to analyze the proposed regulations and provide more guidance. If you have any questions, please contact a Schneider Downs Tax Advisor.

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