



U.S. Chamber of Commerce



The 20% Deduction for Qualified Business Income

Impact on Utah

Ensuring Tax Parity for Main Street Businesses

In 2017, Congress permanently lowered the corporate income tax rate by 14 percentage points, from 35% to 21%, as part of the Tax Cuts and Jobs Act. And to ensure that pass-through businesses like sole proprietorships, partnerships, and S corporations—including the overwhelming majority of small businesses—wouldn't be placed at a major disadvantage relative to C corporations, Congress created a new 20% deduction for qualified business income (QBI) in section 199A of the Internal Revenue Code. Unlike the permanent rate reduction for C corporations, however, the QBI deduction for pass-through businesses was scheduled to expire at the end of 2025.

How the Deduction Ties to Employee Wages

The QBI deduction effectively operates as a rate reduction for pass-through businesses, with some limitations. If a business owner's income exceeds a certain threshold (\$394,600 for joint filers and \$197,300 for other filers in 2025), the benefit of the 20% deduction may be limited based on the amount of wages paid to non-owner employees (W-2 wages). Generally speaking, the more W-2 wages a business pays, the greater the deduction that business's owner(s) can claim.

The QBI deduction is especially important for large pass-through businesses as nearly 37% of all private-sector for-profit jobs at large employers are with large pass-through businesses. And while only 13,330 (5%) of the taxpayers in Utah claiming the deduction had income above \$500,000, they received 54% of the total benefit—meaning the benefit went to those with significant employment in Utah.

Pass-through businesses are critical for Utah



55%

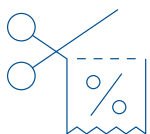
In Utah, 55% of private-sector for-profit employment (excluding government and non-profits) is from pass-through entities.



37%

Nearly 37% of all private-sector for-profit jobs at large employers are with large pass-through businesses (100+ employees) in Utah.

Impact on the State of Utah



242,810

The number of taxpayers in Utah who claimed the 20% deduction in 2022.



\$2,579,702,000

The collective tax benefit of this deduction in Utah in 2022.

Extending and Enhancing the QBI Deduction

The One Big Beautiful Bill Act (OBBBA) permanently extends the 20% QBI deduction, ensuring the long-term competitiveness of America's business tax rates on firms of all sizes and entity types. It also makes taxpayer-favorable changes to the phase-in of existing limitations starting in 2026, which will expand eligibility for the deduction to more businesses. Finally, the law adds a new, inflation-adjusted minimum deduction of \$400 for taxpayers with at least \$1,000 of QBI from a qualified trade or business in which the taxpayer materially participates.

We applaud Congress for enacting these permanent, pro-growth reforms and giving pass-through businesses the long-term tax certainty and stability they need to hire, invest, and thrive.

Learn more at
uschamber.com/taxes
or by scanning the
QR code.

