

Tax benefit of contributing \$10,000 to Georgia GOAL for Qualified Education Expense credit if payment qualifies as an ordinary and necessary business expense of pass-through entity owned by donor.

	Pass-through Entity Generates Qualified Business Income ("QBI")			Pass-through Entity is a Specified Service Trade or Business ("SSTB")		
	Without Credit	With Credit	Tax Savings	Without Credit	With Credit	Tax Savings
<u>Income</u>						
Wages	100,000	100,000		100,000	100,000	
Schedule E - S Corporation	375,000	365,000 (1)		375,000	365,000 (1)	
<u>Deductions</u>						
20% QBI Deduction	75,000	73,000		-	-	
State Income Tax	24,925	14,925 (5)		24,925	14,925 (5)	
Real Estate Taxes	4,500	4,500 (5)		4,500	4,500 (5)	
Mortgage Interest	15,000	15,000		15,000	15,000	
Charitable Contributions	5,000	5,000		5,000	5,000	
Taxable Income	370,000	362,000		445,000	435,000	
Filing Status: MFJ						
<u>Income Tax</u>						
Federal	81,033	78,473	2,560 (2)	106,137	102,637	3,500 (3)
Georgia	24,925	24,925 (6)	- (4)	24,925	24,925 (6)	- (4)

(1) Pass-through entity's taxable income is reduced by deduction of \$10,000 payment to Georgia GOAL as a business expense.

(2) Federal tax benefit is determined by donor's marginal federal tax rate, which is 32% in this example, adjusted by the 20% deduction for qualified business income: $32\% - (32\% * 20\%) = 25.6\%$.

(3) Federal tax benefit is determined by donor's marginal federal tax rate, which is 35% in this example.

(4) No change to Georgia tax because reduction in pass-through entity's taxable income is offset by addition reported on Georgia return to prevent "double-dipping".

(5) SALT deduction limited to \$10,000.

(6) The \$24,925 of Georgia income tax includes the \$10,000 of tax that is offset by the QEE credit.

These projections, prepared by Tim Oberst, Partner in Bennett Thrasher LLP's Pass-Through Entity practice, are for illustrative purposes only and are not intended as tax advice applicable to an actual situation. You should consult your tax advisor.