

Ayres Tax Seminars  
Common Qualified Business Income (QBI) Rental Scenarios

QBI Rental Scenarios	Lease Agreement	Rental Deductible Footnotes	Profit or Loss on Entry Return
C-Corp. Renting from Shareholder	Under Triple Net Lease (TNL)	1, 4	C-Corp. not eligible for QBI
C-Corp. Renting from Shareholder	No Triple Net Lease	3, 4	C-Corp. not eligible for QBI
S-Corp. Renting from 100% Shareholder	TNL or Shareholder pays Expenses	2, 4	S-Corp. K-1 eligible for QBI
S-Corp. Renting from two 50% Shareholders	TNL or Shareholder pays Expenses	2, 4	S-Corp. K-1 eligible for QBI
S-Corp. Renting from three 33% Shareholders	TNL or Shareholder pays Expenses	3, 4	S-Corp. K-1 eligible for QBI
Partnership Renting from two 50% Partners	TNL or Shareholder pays Expenses	2, 4	Partnership K-1 eligible for QBI
Partnership Renting from three 33% Partners	TNL or Shareholder pays Expenses	3, 4	Partnership K-1 eligible for QBI
Partner Rents to "third party" under TNL	TNL	1, 4	Not Applicable
Individual Real Estate Rental	Not Applicable	3, 4	Not Applicable

**Rental Deductible Footnotes**

- 1 Rental income **probably will not be eligible for QBI by the real estate owner**, but **may be**. The owner must determine if the rental is a Section 162 "Trade or Business", but it is **not** eligible for the "safe harbor" election.
- 2 Rental **automatically** eligible for QBI (assuming the Pass-through Entity [PTE] income is QBI) by shareholders owning directly or indirectly 50% or more (commonly controlled ownership) of rental property. The rental retains the same classification as the PTE income (either SSTB or Non SSTB).
- 3 May be eligible for QBI by the real estate owner, but **MUST** determine if the "safe harbor" election **or** a Section 162 "Trade or Business" applies. It is ATS' view some labor hours and involvement must be incurred by the real estate owner (or owner's agent). Case Law States a Section 162 "Trade or Business" entails a **profit motive and requires considerable, regular, and continuous activity**.
- 4 **Issuance of 1099's, if applicable, should be considered.**