



Special Report

The Trump Zero-Tax Files

How America's One-Percenters Legally Shrink Their Tax Bills – and What They Reveal About Incentives Inside the U.S. Tax Code

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Did Donald Trump really bury his ex-wife on one of his golf courses to save on taxes?

Trump's financial story has long included a particular kind of hustle: find the rule, push it hard, and if there's daylight in the wording, drive a truck through it. Reporting on his tax returns and business practices has repeatedly described an approach that's aggressive rather than passive, leaning on large deductions, creative valuations, and classifications that reduce what he owes, even when those moves attract scrutiny.

That backdrop is probably why, when Ivana Trump died in July 2022 and was buried on the grounds of Trump National Golf Club Bedminster, the internet immediately jumped to a familiar theory: this must be another tax play.

The burial site is real and documented. Ivana is interred at Bedminster, and Trump had explored cemetery or mausoleum plans for the property years earlier.

So is the tax logic behind the rumor. New Jersey law gives meaningful tax exemptions to land that is formally dedicated to cemetery purposes. Broadly speaking, a property owner who sets aside a parcel as a cemetery can get that parcel treated very differently for tax purposes. But the viral leap was the claim that a single grave could somehow turn a 500-acre luxury golf resort into a tax-free zone. Experts and fact checks are clear that this part is wrong. A small cemetery designation can exempt only the specific land dedicated as cemetery property. It does not convert the broader golf club into a cemetery company, and it cannot shield the whole resort from property taxes.

If there's one consistent takeaway from Trump's history, it's that he has tended to test the boundaries of whatever rules are in front of him. In Bedminster's case, the better-documented story is less sensational but more instructive.

Famously, reports emerged that goats were spotted walking the grounds of the course to help trim weeds... and the tax bill.

That part is rooted in reality. The Bedminster club already benefits from a different and very concrete tax break: New Jersey's farmland assessment program. For years, Trump Organization

parcels at Bedminster have been classified as agricultural or woodland use, which slashes assessed value and has saved the club hundreds of thousands per year.

The goat photos helped meet minimal farming thresholds. Even after livestock were removed, the property has continued to qualify via hay harvesting and woodland management.

So the Ivana burial episode works less as a proven tax scheme and more as a revealing Rorschach test. In a vacuum, a family burial plot at a property Trump loved and planned to be buried at himself could be personal, theatrical, or both.

But because his broader track record is full of aggressive tax positioning, the public instinctively reads any unusual move through that lens.

The verified reality is narrower: cemetery law might reduce taxes on a tiny, dedicated patch of land, while the notable savings at Bedminster come from a straightforward farmland classification that has been in place for years.

And it is those actual tax strategies in use by Trump that can provide both a fascinating look at how taxpayers like him – willing to push hard on the tax code – have helped shape the American tax system, and a clearer view of which strategies have endured. Through a combination of required disclosures in gambling-license applications and multiple leaks, a revealing peek behind the curtain of Trump's tax returns from his early days in office is available. It lets readers see how he structured his affairs for maximum tax efficiency... and where those choices created risk.

Before diving deeper, a quick note. This report is for educational purposes only. Nothing here should be construed as personalized investment, tax, or legal advice. Many of the strategies described require careful analysis and can be highly fact-specific. Anyone considering similar approaches should consult qualified advisors to evaluate suitability and compliance.

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A Look Behind the Curtain

Donald Trump's leaked and released tax returns have been a masterclass in aggressive (yet often legal) tax minimization. The headlines were eye-popping: in 2016 and 2017, Trump paid only \$750 in federal income tax each year, and he paid nothing in 2020. How did a billionaire pull that off? The short answer is that he relentlessly leveraged virtually every deduction, loss, and credit available to him – including the application of multi-million-dollar business losses incurred in previous years that made for a more sensational headline than the reality. Still, Trump's returns help paint the picture of an aggressive stance from an investor not afraid to push the limits of the law. Love or loathe the approach, there's no denying he took great advantage of what the U.S. tax code allows.

This report walks through five of the most impactful federal tax-minimization techniques observable in his publicly disclosed returns. Of course, while these deductions and credits are available, they require specific conditions, often including net real or tax losses, to achieve similar results. So, each section explains the strategy in plain English, shows how it appears in Trump's world and when it might be germane to the average investor, and flags where similar tactics can backfire or attract scrutiny.

Along the way, recent Trump-led tax reforms – the Tax Cuts and Jobs Act of 2017 (TCJA) and the 2025 “One Big Beautiful Bill Act” (OBBBA) – are referenced where they codified or expanded these strategies, opening new opportunities to potentially reduce taxes. That’s because Trump’s tax policies have underscored many of the tactics he used. And, several provisions of the 2017 TCJA and the 2025 OBBBA were aimed at helping small businesses and investors.

For example, TCJA introduced the 20% Qualified Business Income (QBI) deduction for pass-through businesses and 100% bonus depreciation for certain investments, giving a boost to entrepreneurs nationwide. In his second term, the OBBBA went further by extending or making permanent many of these incentives.

So, let’s dive into Trump’s tax toolkit and see what lessons – good and bad – can be drawn from it. The strategies he has employed aren’t magic tricks. They’re rooted in the tax code, and most (unlike that cemetery exemption) are quite and widely used. But, as you’ll see, the meaningful distinction is execution: the line between effective planning and abusive positioning is real, and the IRS pays attention to where it’s crossed.

1. Real Estate Depreciation and Bonus Depreciation

Before his political career, Trump was known primarily as a real estate investor. The business he inherited grew into one built on luxury hotels, apartments, golf courses, and related operating entities... all anchored to property.

Given how real estate is taxed, it should be no surprise that depreciation deductions are a central driver of his low tax bills.

What It Is

Depreciation is a cornerstone of real estate and business tax planning. Even when an asset is holding or increasing its value, tax law allows its cost to be deducted over time as if it were wearing out. For rental real estate, the standard depreciation periods are long – 27.5 years for residential properties and 39 years for commercial properties.

Crucially, many components of a property (appliances, fixtures, landscaping, certain interior improvements) can be depreciated over shorter lives. Tax planners often use cost segregation studies to reclassify portions of a building into faster-depreciating buckets.

Layered on top of that are accelerated write-off rules. Section 179 allows immediate expensing of certain equipment purchases. Bonus depreciation – especially after 2017 – is even broader. Under TCJA, qualifying assets placed in service after late September 2017 could often be expensed 100% in year one, rather than depreciated over 5, 7, or 15 years.

The practical effect is that depreciation can create large “paper losses,” even when properties are throwing off real cash flow. That mismatch between cash profit and tax loss is the engine here.

Real estate investors have used cost segregation studies to classify large chunks of a building (like interior fixtures, parking lots, landscaping) as short-life property eligible for bonus depreciation. The result: often 20-30% (or more) of a building’s purchase price can be expensed in Year 1 under these rules. In short, depreciation lets you declare a paper loss even when you have positive cash flow from an asset. It’s a prime reason why a profitable rental property might show a tax loss.

How Trump Used It

Trump, as a real estate mogul, leaned hard into depreciation to erase taxable income. Analyses of his 2015-2020 returns and related disclosures show tens of millions of dollars in annual depreciation write-offs on hotels, golf courses, and buildings. These are non-cash expenses, so profitable properties can still show zero or negative taxable income.

For instance, Trump’s Washington, D.C. hotel and his golf resorts generated real revenue, but thanks to depreciation (and interest expense), their taxable income was minimal or negative. As the Joint Committee on Taxation noted, Trump’s empire, being “real estate heavy and leveraged,” produced **large depreciation deductions every year** that shielded his income. We even see specific signs of **Section 179 expensing** on his returns; one source noted Trump was claiming Section 179 deductions (potentially for things like equipment, furniture, or improvements) well into the millions.

His approach also relied on continuous acquisition and reinvestment. Large renovations – the gold-plated fixtures, luxury furnishings, new wings on a resort – aren’t just about showmanship; they can help – upgrades reset depreciation schedules, and often qualify for accelerated write-offs. Even a gold-plated toilet and other lavish improvements can qualify if they meet the tax classification standards. The result is a steady stream of fresh depreciation to offset income elsewhere in the portfolio.

A simplified illustration: an older fully depreciated property may begin generating taxable profits. A newer project, meanwhile, can generate heavy accelerated depreciation in early years. The new project's paper loss can offset the older project's taxable gains, reducing net taxable income at the owner level. Many real estate groups operate this way; Trump's filings suggest the same pattern, scaled up. **Depreciation was the second largest deduction on his leaked tax returns, and a major contributor to that controversial near-zero tax bill.**

After TCJA, 100% bonus depreciation supercharged this dynamic. Qualifying improvements made after 2017 could often be expensed immediately. From a tax perspective, reinvesting in properties was even more attractive because large portions of capital spending became near-instant deductions. OBBBA in 2025 then extended or made permanent several of these incentives, reinforcing a landscape favorable to investors who use accelerated depreciation.

Why It Matters

Depreciation – and especially accelerated depreciation – is often a major tax lever for affluent real estate owners and operating businesses with significant assets. It is primarily a deferral strategy: deductions arrive early, while recapture occurs later (if ever, given real estate's favorable cost basis step up during inheritance). The cash-flow benefit and the opportunity to reinvest earlier deductions into additional assets can be substantial.

The larger point is structural. Depreciation is not a loophole in the casual sense. It is a policy tool designed to encourage investment. When applied correctly, it can meaningfully lower near-term tax burdens and increase available capital for growth.

When It Might Go Wrong

Depreciation is legitimate, but not risk-free. Recapture, passive-activity rules, business-use requirements, and classification risk are all real constraints. Over-aggressive cost segregation is a known audit trigger. Using reputable studies and conservative assumptions matters.

In summary, accelerated depreciation can be an impactful tool in the real estate and business tax toolkit – reducing near-term taxation even on profitable ventures, and offsetting other income streams. But it is complex. When deductions are supported by defensible classifications under IRS guidelines, they can significantly reduce tax burdens and keep more cash free for reinvestment... exactly the way Trump used them across his empire.

Other Real Estate Deductions That Often Create (or Deepen) Losses

Depreciation gets the spotlight because it can produce large non-cash deductions, but it usually works alongside several other real-estate-favorable write-offs. In Trump's filings, these "supporting actors" appear as part of the same overall pattern: properties that may be cash-generative can still show low or negative taxable income once the full suite of real estate deductions is applied.

Interest Expense

Real estate tends to be highly leveraged, and interest on business and investment loans is generally deductible at the entity level. That means a heavily financed property can generate substantial interest deductions each year, reducing taxable income even when the underlying asset is appreciating. Press analyses of Trump's returns repeatedly describe the role of leverage and interest in producing chronic paper losses across the portfolio.

Property Taxes and Operating Costs

Commercial property taxes, insurance, maintenance, utilities, payroll, marketing, legal fees, and other operating expenses are also deductible. These are "ordinary and necessary" business costs, and in large real estate operations, they can be significant. When combined with depreciation and interest, they often push taxable income down sharply, or into loss territory.

Timing and Reinvestment Effects

Real estate is unusual in that many tax benefits arrive early in a project's life. Renovations and new capital spending can create fresh depreciation schedules and sometimes qualify for accelerated write-offs. Interest deductions also tend to be larger in early years. From a tax perspective, growth via continuous reinvestment can keep deductions structurally high. That dynamic shows up in Trump's footprint, where new or recently upgraded properties help offset income from mature assets.

Taken together, interest, property taxes, and operating deductions aren't "loopholes" so much as core features of how real estate is taxed. They help explain why real estate owners can

report low taxable income for long stretches even while holding valuable assets. The overall lesson is that depreciation is usually the lead instrument, but these other deductions are part of the same orchestra – and they're often what turns a high-revenue property into a tax loss on paper, especially in the early years.

Why This All Matters

Accelerated depreciation is a powerful tool to use tax deferrals to help fund growth. By reducing current taxes on certain assets, you can retain more capital and potentially compound investments more quickly with less need for leverage. While these benefits are significant, they require careful planning.

Real estate investors should master these tools. For a deeper dive into maximizing real estate write-offs like cost segregation and bonus depreciation, check out our [U.S. Real Estate Tax Strategies video](#) featuring our partners at **Copper Beach Financial Group**. It's an eye-opener on how an experienced wealth management team, with family-office level clientele, tries to supercharge their clients' returns with tax efficiency gains.

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2. Massive Business Losses and NOL Carryforwards

Attached to all of Trump's properties are operating businesses – golf clubs, hotels, and more. Not to mention his media business, licensing deals, and other income streams. The man was, no doubt, an entrepreneur.

Like real estate before it, the U.S. tax code is designed to encourage building businesses. Yes, it includes incentives – like the aforementioned Qualified Business Income (QBI) deduction. But more fundamentally, it simply makes sure that investors are able to recoup their capital prior to being taxed on any income generated by a business. And anyone who has ever started a business, especially a capital expense-heavy one like a hotel or golf club, can tell you: it is often YEARS before that happens.

To anyone looking at one or two years' worth of an entrepreneur's tax returns, it could be easy to assume that they are bad at business. They, like Trump, might be carrying forward multiple years' worth of accumulated losses, which offset current income. Some of those from prior ventures that have gone bust years before.

For Trump, the largest part of the deductions on his near-zero-dollar tax returns was exactly that: NOLs.

What It Is

A Net Operating Loss (NOL) occurs when business expenses exceed income in a given year – you lost money. The tax code allows those losses to be carried forward to offset taxable income in later years.

Think of it as storing up a tax credit for your rough years: if you lose \$100 today, you can use that loss to cancel out \$100 of income tomorrow. This ensures that if you invest and endure years of losses before making a profit (a common trajectory for entrepreneurs), you won't be taxed until you've made back those losses. In essence, NOL carryforwards let business owners “zero out” future profits by past losses, so you're taxed on net lifetime profits rather than each year in isolation. In effect, losses are “stored” and then used to reduce future profits.

This concept still applies when riding out the tail end of the business cycle, too. For example, imagine you own a casino, and it's been putting off strong profits for many years. Maybe you

made \$100 million or even \$1 billion in returns to date. But, you can see the writing on the wall: traffic is down, crime is up, and the prognosis for the area is fading as new entrants take market share. Bankruptcy is inevitable, just maybe not imminent. When that moment comes, if the final years of that business result in losses, you still get collect an NOL.

So, if your airline doesn't work out, if your casino fails, and the expenses of wrapping it up – including writing off goodwill and other non-cash expenses – the process can create significant NOLs, which can be used to offset profits from future ventures. This area of tax law is complex and very situation-specific, but with the right advisors and strategy, investors can often capture tax losses from one business and transfer them to offset them on another.

How Trump Used It

This was arguably Trump's single biggest tax weapon. By 2015, he had accumulated enormous NOL carryforwards from years of failed ventures. Congressional examinations show roughly \$105 million in prior losses carried into 2015 and another \$73 million from 2016. Those accumulated losses sheltered later income, helping explain the famously low federal tax bills in multiple years.

He also appears to have used NOL rules aggressively in earlier periods. The 1995 records showed a \$915 million loss, which could be carried forward for years. In the late 2000s, he reportedly claimed a very large refund (in excess of \$70 million) by carrying losses back, a move that triggered a long-running IRS review.

Why It Matters

NOL carryforwards serve as a built-in stabilizer for entrepreneurs and investors. Many ventures lose money early; the tax system allows those losses to offset later success. There is no magic pill here, just the natural result of a serial entrepreneur who has had to change lanes as different lines of business have come into and out of market favor.

For any business owner or investor, NOL carryforwards are a critical safety net. If your startup or real estate project loses money at first (which many do), those losses aren't wasted – they

can slash your taxes when you eventually succeed. This encourages entrepreneurship and risk-taking: the tax code essentially says, “go ahead and invest; if it doesn’t pay off immediately, we’ll give you a break when it finally does.”

Trump’s use of NOLs is an extreme case (few individuals rack up nine-figure losses!), but the principle applies to a mom-and-pop business as much as a multinational. Even a \$50,000 loss can be carried forward to offset \$50,000 of future profit. This can mean years of tax-free income until you’ve worked through your past investments.

It’s a very powerful tool for smoothing out the ups and downs of business. Without NOL carryforwards, a business that has big losses one year and big profits the next could pay taxes on the profit year without relief for the loss year – a potentially unfair result.

When It Might Go Wrong

First and foremost, you only get an NOL by actually losing money. It sounds obvious, but that means this strategy is no dodge or gimmick – you must genuinely incur the losses (or at least paper losses generated via other deductions like depreciation). If someone tries to create artificial losses (say, by inflating expenses or deducting personal costs as business costs), the IRS can disallow those and negate the NOL. Trump’s massive losses have raised eyebrows about whether all were legitimate business losses or creative accounting. For example, that \$72.9 million refund from carried-back losses has been under audit for years, and Congress’s Joint Committee on Taxation flagged numerous loss-generating deductions in Trump’s returns as potentially abusive. The lesson: NOLs are perfectly legal, but the losses behind them must be real and well-documented. Pushing the envelope (like claiming personal expenses as business losses, or engaging in transactions solely to harvest tax losses) can cross into tax fraud.

Additionally, tax law changes can affect NOL use. For example, the 2017 TCJA introduced a rule capping NOL deductions at 80% of taxable income per year (meaning you couldn’t completely zero out income beyond that point). Though the OBBBA of 2025 rolled back some of those limits, restoring full NOL offsets going forward in some cases. Always ensure you’re following current rules on how long losses can be carried forward and in what amount.

Finally, remember that an NOL carryforward is not a refund check; it’s a future tax deduction. Its value depends on eventually having taxable income. In Trump’s case, his brand and investments did bounce back to profitability (at least intermittently), so he could use those losses. But if a

business never returns to profit, the NOLs might expire unused.

In the case of Trump's zero-dollar returns, we all as investors should probably be glad he didn't pay any taxes in those years, as the opposite could mean a very unfair tax code to those who risk their capital and often wait years to realize a return on it when building new ideas into reality.

3. Charitable Deductions

You hear it all the time these days: This billionaire is donating the bulk of their wealth to charity. Is it just philanthropy for its own sake, or is there a tax ploy hidden in those "John and Jane Doe Foundation" establishments that seem to accompany nearly any significant fortune that's created these days? Maybe a little bit of both.

What It Is

Charitable contributions reduce taxable income when made to qualified organizations. The wealthy often structure giving not only around generosity, but also around tax efficiency and long-term planning. In practice, charitable tools vary along two dimensions: how the gift is made (cash vs. appreciated property vs. property rights) and whether the gift is immediate or staged over time through a charitable vehicle.

Trump's signature charitable strategy leaned on large non-cash donations of property or property rights, particularly conservation easements. But those are only one part of a broader toolkit commonly used by high-net-worth families.

Common Charitable Strategies Among Wealthy Taxpayers

Donating Appreciated Assets: Instead of giving cash, donors contribute assets that have risen in value (public stock, private business interests, real estate). The donor typically gets a deduction for fair market value and avoids capital gains tax that would have been owed if the asset were sold first.

Donor-Advised Funds (DAFs): A DAF is like a charitable checking account. The donor contributes assets to a sponsoring charity, receives an immediate deduction, and then recommends grants to nonprofits over time.

Charitable Remainder Trusts (CRTs): CRTs are often used when a donor wants lifetime income and a large charitable gift at death. The donor transfers assets into a CRT, the trust sells assets without immediate capital-gains tax inside the trust, beneficiaries receive an income stream for life or a fixed term, and the remainder goes to charity. The donor gets a partial charitable deduction up front, based on the projected remainder that will ultimately go to charity.

Charitable Lead Trusts (CLTs): CLTs flip the CRT structure: charity receives income from the trust for a set term, and the remaining assets go to heirs. CLTs are commonly used to shift future appreciation to heirs while generating charitable payments today.

Private Foundations: Private foundations allow families to control a charitable entity long-term, employ staff or family members in legitimate roles, and build a multi-generation giving platform. They also come with minimum annual payout requirements and strict self-dealing rules.

Conservation Easements: Trump's strategy wasn't about writing big checks to the Red Cross; instead, he often donated property or property rights, reaping much larger deductions. A key maneuver here is the conservation easement. In a conservation easement, you donate the development rights of a piece of land to a land trust or government agency, but you retain ownership of the land.

Essentially, you promise that the land will not be developed (it will remain open space, farmland, historic, etc.), and in return, the tax code lets you deduct the loss in market value that results from that restriction.

Imagine for a moment that you own acreage in a residential zone that could be turned into a 100-home subdivision, and is thus worth \$10 million. But, in this hypothetical, you agree to never develop it. With this covenant attached to the land, maybe its value drops to \$2 million. In exchange for granting those development rights to a land trust, you can then take a charitable deduction roughly equal to the \$8 million "lost" value because you gave up the development rights for the public good.

It's a powerful deduction – often much larger than if you donated the land outright in its current condition (because you'd deduct the current value of the land, whereas an easement lets you deduct the "highest and best use" hypothetical future value you forego). As you'll see in Trump's use case, this is not always cut and dry, in large part because valuations are subjective and thus carry the potential for legitimate disagreement or abusive manipulation.

It also may not apply to all situations. So be sure to consult a qualified tax professional before implementing any tax strategy.

How Trump Used Conservation Easements and Other Tools

Trump famously inked a few conservation easement deals that saved him millions in taxes. One notable example: Seven Springs, a 212-acre estate in New York's Westchester County that Trump bought in 1995. After development plans for a golf course or housing fell through, Trump donated a conservation easement on roughly 158 acres of the property in 2015, pledging not to develop that portion. The appraised value of the relinquished development rights was about \$21.1 million, which Trump claimed as a charitable deduction on his 2015 return. In effect, that one move likely saved him on the order of \$8–\$10 million in taxes (assuming a roughly 40% combined federal/state tax rate). Not a bad deal for land he continued to own and use, as the main mansion and 50+ acres weren't even part of the easement.

This specific easement was so large that it drew scrutiny: Congress's Joint Committee on Taxation flagged the \$21.1M deduction as an item of interest, and it has since become part of a legal investigation in New York into whether the property's value was inflated to juice the deduction.

Seven Springs wasn't the only one. Trump's company also reportedly placed a conservation easement on land at Trump National Golf Club Los Angeles, a scenic oceanfront course, after plans to build luxury homes there were curtailed. That easement and others have had appraised values in the tens of millions of dollars, translating to hefty tax write-offs. In simple terms, Trump would buy a property for say \$5 or \$10 million, attempt some development, then decide to conserve part of it and get a deduction often far exceeding his original cost.

Furthermore, public tax records and analyses suggest that the bulk of Trump's reported charitable contributions were not cash gifts but land or easements. Rather than donating large sums of money, which would directly reduce his liquidity, he leveraged illiquid assets for tax benefits.

There's also an indication that he set up at least one charitable trust or foundation to funnel certain donations. For instance, in prior years, he had the Donald J. Trump Foundation (now dissolved due to unrelated self-dealing issues), and he has hinted at using vehicles like charitable remainder trusts – where you donate assets, get a deduction now, but the trust pays you (or someone you designate) income for a term of years before the remainder goes to charity. This

technique can effectively turn a tax deduction into a personal annuity, all while removing assets from your estate – essentially side-stepping federal estate taxes on the future appreciation of properties and other assets. It's sophisticated, but it's one way wealthy individuals pledge huge gifts and also secure long-term financial benefits for themselves.

Trump has publicly claimed huge charitable deductions; the evidence suggests those primarily came from deals like Seven Springs and the LA golf course easement, rather than writing checks.

Why It Matters

Strategic charitable giving is a legitimate and often central part of high-net-worth tax planning. Vehicles such as DAFs, CRTs, and CLTs can time deductions against high-income years, reduce capital-gains exposure on appreciated assets, and align tax benefits with legacy goals.

Charitable giving, when done strategically, can be a **win-win: help a cause and help your tax bill when properly structured.**

Trump's use of conservation easements highlights a particularly advantageous tactic if you happen to own land with development potential. For a business owner or investor, you might not own 200 acres in New York, but perhaps you have a valuable piece of property or even highly appreciated stock. Donating all or part of it can yield a larger deduction than giving cash, and you avoid capital gains taxes you'd owe if you sold the asset and then donated cash. If you have a property that you're not keen on developing, maybe for legacy or environmental reasons, an easement can unlock a significant one-time tax deduction (which, by law, you can carry forward for up to 15 additional years if it's too large to use in one year). That deduction could offset income from your business or other investments in those years, potentially reducing tax liability for years until it's used up.

But, because of years of abusive application and contested valuations, conservation easements are high-scrutiny items for the IRS and may lead to audits and ultimately disallowed deductions if not done with utmost care. Please consult with a qualified tax attorney.

Even beyond easements, consider the broader lesson: Trump took non-cash charitable deductions to an extreme, and while most of us won't have art galleries or estate homes to donate, many small business owners overlook charitable strategies in their financial planning. For example, you could donate a portion of your company's privately held stock to a donor-

advised fund before a sale – you get a deduction at fair market value and potentially reduce the taxable gain when the company sells. Or if you have real estate that’s highly appreciated, donate a fractional interest to charity – the deduction might offset rental income for years. Also, charitable trusts can be used to create income streams and estate benefits as Trump’s peers have done.

The 2017 TCJA preserved and even slightly increased the limits for cash charitable deductions (up to 60% of AGI, later even 100% in certain pandemic years), and did not eliminate the easement deduction (despite some talk of cracking down). The 2025 OBBBA did not curtail these either – if anything, charitable deductions remain a firmly entrenched part of the tax code. For investors today, it means these avenues are open for business, but you must use them prudently.

If the idea of strategically using charity to build wealth and save taxes intrigues you, I highly recommend watching our [Estate Planning webinar](#). It explores various ways to reduce the impact of estate and other inheritance taxes when passing wealth to future generations.

And of course, a WorthNet adviser can help tailor a giving strategy that aligns with your values and financial goals: worthnet.com/find-your-adviser.

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When It Might Go Wrong

Most charitable strategies hinge on two non-negotiables: valuations must be defensible, and compliance trails must be meticulous.

Certain types of charitable deductions, especially conservation easements, have been so abused by taxpayers that the IRS has put them on the “Dirty Dozen” list of tax scams to watch. The abuse often involves inflating the value of the easement – basically over-appraising how much value was lost by not developing. Trump’s \$21M easement deduction at Seven Springs is a case in point: it relied on an appraisal that valued the property at over \$56 million (assuming luxury home development), more than double the local assessed value. If an appraisal is overly aggressive, the IRS can deny the deduction and even impose heavy penalties. In syndicated conservation easement schemes (which Trump did not do, but many promoters have), multiple investors buy land, get a grossly inflated appraisal for an easement, and each investor claims deductions several times their investment – the IRS has been hammering these, even getting Congress to legislate limits.

Bottom line: If you pursue a conservation easement, use a reputable appraiser and be conservative with valuations. Expect the IRS to ask questions; they can audit easement deals indefinitely (no statute of limitations if you omit certain required forms).

Another caution: Charitable contributions must be properly documented and genuinely donated. It sounds basic, but if you claim a big donation, you need receipts, appraisals for property gifts above \$5k, and compliance with IRS forms. Trump’s charitable foundation got into trouble for self-dealing (using foundation funds for non-charitable purposes) – obviously, that’s beyond just tax; it’s a legal violation. For our purposes: don’t try to disguise personal expenses or transfers to family as “charity.” The Joint Committee noted that Trump deducted over \$500,000 of payments to charities without proper detail, and some charitable deductions could be reclassified if found not bona fide. In short, ensure your charitable write-offs are bulletproof: real charity, correct value, and a paper trail.

Also, keep in mind limitations: Generally, you can’t deduct more than 30% of your adjusted gross income for gifts of property (including easements) in a year (though you carry forward excess). Trump’s deductions were so large that he likely had carryforwards from charitable contributions in addition to NOLs. That’s fine, but be aware of these limits in your planning so you’re not surprised when a huge deduction isn’t fully usable immediately.

Lastly, consider public perception and business impact. Trump's conservation easements sometimes drew local criticism – some saw them as him wanting a tax break for land he couldn't develop anyway. While that's not a tax issue per se, small business owners should weigh the optics: if you're a community business leader, letting everyone know you gave a big gift to a preserve is positive, but if they sense it was just for a tax break on land you never intended to use, it could be mixed messaging. Always lead with genuine intent – the tax benefits are a sweetener for doing something good, not the sole reason.

In summary, charitable tax strategies are powerful – they were for Trump – but they must be done right. Stay within the bounds of reason on valuations, follow the rules diligently, and they will hold up. Stray into the realm of “too good to be true” (like a \$1 donation generating \$4 of deduction via fanciful appraisal) and the IRS will be knocking. With proper planning, charitable giving can significantly reduce taxes and leave a positive legacy, which is a great combination for those of us looking to preserve wealth and do some good.

4. Foreign Tax Credits

Another of the long-standing, investor-friendly doctrines of the tax code is that for those who take their ventures abroad, the U.S. will do its darndest to avoid double-taxing that income. It's presumably a way to help ensure that multi-national ventures remain headquartered here and not dissuade companies from reaching outside our borders in search of economic opportunity. And the main mechanism by which it is accomplished is the simple but effective Foreign Tax Credit (FTC).

What It Is

The FTC is a straightforward but crucial mechanism for anyone earning income abroad. The U.S. taxes its citizens and residents on worldwide income, but it also recognizes that if you paid taxes to a foreign government on that income, you shouldn't have to pay double tax on the same money. So, the tax code gives you a dollar-for-dollar credit against your U.S. income tax for income taxes paid to other countries.

For example, if you owe \$10,000 in taxes to the UK on rental income from a property there, and you owe \$12,000 to the U.S. on that same income, you could use the \$10k foreign tax credit to reduce your U.S. tax, paying only the difference of \$2,000 to the IRS. In effect, you

end up paying the higher of the two countries' tax rates, but not both.

The FTC can be used against U.S. tax on foreign-source business income, royalties, interest, etc. There are some limitations (for example, foreign tax credits are generally limited to the proportion of U.S. tax attributable to foreign-source income, so you can't use foreign taxes to offset U.S.-source income). But in practice, if your overseas tax rate is equal or higher than the U.S. rate, you might wipe out U.S. tax on that foreign income entirely. If the foreign rate is lower, you'll pay a "top-up" to the U.S. Many countries have rates comparable to the U.S., so many Americans investing or living primarily abroad end up with little U.S. tax due after credits.

How Trump Used It

Despite Trump's America-first image, his tax returns show a web of international business dealings – golf courses in Scotland and Ireland, licensing deals in countries like Turkey, the Philippines, India, etc., and bank accounts abroad. With those ventures came foreign taxes.

Reports from the House Ways & Means Committee and news outlets noted that Trump claimed foreign tax credits for taxes paid to countries, including the UK, Ireland, India, and others. In several years, Trump's businesses paid more in foreign income taxes than he ended up owing in U.S. income tax – meaning the foreign tax credits essentially wiped out much of his remaining U.S. liability for those years.

For instance, 2017 was one such year: he paid just \$750 in U.S. tax but likely much more overseas, so the credits covered everything except that token amount. An Associated Press analysis noted Trump paid \$15,598 to Panama, \$145,400 to India, and \$156,824 to the Philippines in taxes in a certain year, all exceeding his U.S. tax for that year. A Business Insider headline put it succinctly: "Trump paid more in foreign taxes than U.S. income tax for years."

In Trump's 2015-2020 returns that were public, foreign tax credits were **helpful but secondary** compared to the giant NOLs and depreciation deductions. They weren't the main engine of his low taxes, but they did contribute. Especially in years where he actually had positive income (2018 & 2019), the credits from ongoing international projects would directly reduce his U.S. tax due.

For example, in 2018, he paid nearly \$1 million in U.S. tax (on about \$24 million AGI). If he hadn't been able to claim, say, a few hundred thousand in foreign credits, that tax bill would

have been higher. So he took advantage of this as any cross-border businessperson would. Interestingly, Trump publicly complained in the past that Americans abroad face double taxation and floated ideas to exempt them if taxes are paid elsewhere. That rhetoric aligns with the logic of the foreign tax credit: he recognized the burden of double tax and used the available relief to its fullest.

Why It Matters

Many U.S. entrepreneurs today have a global footprint – whether it's selling on Amazon to customers in Europe, owning a rental overseas, or holding stocks in foreign companies that withhold taxes on dividends. The foreign tax credit is your friend in all those cases. It ensures you're **not competitively disadvantaged** by being an American. Without it, you might pay foreign tax and U.S. tax, which could easily sum to 50-60% of your income – ouch. With the credit, you typically pay roughly the higher of the two jurisdictions' rates.

For small business owners, this means you shouldn't **fear expanding abroad from a tax perspective**. If you open a sales office in, say, Canada and pay Canadian taxes, you'll get credits to offset U.S. tax on that income. Or if you're a U.S. expat earning a salary abroad, the foreign tax credit (along with the foreign earned income exclusion) usually prevents double taxation. Investors who buy foreign real estate or foreign stocks likewise rely on the credit to avoid double tax on rental income or dividends.

One scenario to note: If you invest in a country with **higher taxes** than the U.S. (21% corporate or ~37% individual top rate), you might **pay zero U.S. tax** on that foreign income because the credit covers it all. If the foreign country's tax is lower, you'll pay the difference to the U.S. For example, if a country taxes at 10% and the U.S. at ~37%, you'd still owe roughly 27% to the U.S. after credit. So the credit makes you whole up to the U.S. rate but not beyond. Trump had businesses in high-tax countries (UK, India), which meant hefty credits that fully eliminated U.S. tax on those profits.

From a planning standpoint, **foreign tax credits can get complex** with limitations and baskets (credits for passive income vs active business are separate, etc.), but the principle is straightforward and crucial.

The TCJA in 2017 didn't overhaul the individual foreign tax credits that Trump took advantage of. But it most certainly rethought the corporate side, with a focus on U.S. multinationals. It

shifted corporate taxation from a worldwide system that taxed foreign profits when brought home to a quasi-territorial system:

- Future dividends from foreign subsidiaries to U.S. parent companies are largely exempt via a 100% dividends-received deduction, while a one-time “transition tax” was imposed on old accumulated offshore earnings.
- To keep companies from simply moving profits to tax havens under this new territorial tilt, TCJA added three big guardrails:
 - GILTI (a minimum tax on low-taxed foreign profits deemed above a routine return),
 - FDII (a lower rate for certain export-related intangible income kept in the U.S.), and
 - BEAT (a backstop tax aimed at profit-stripping through deductible payments to foreign affiliates), plus
 - tighter interest-deduction limits that also curb cross-border earnings stripping.

The 2025 One Big Beautiful Bill Act (OBBBA) didn’t just extend TCJA internationally – it re-tuned it. OBBBA modified and largely made permanent the TCJA international framework, including reworking GILTI and FDII (renaming and adjusting effective rates and mechanics), tightening or simplifying parts of the foreign tax credit interaction, and setting a new permanent BEAT rate, with changes applying beginning in 2025-2026.

In other words, TCJA rebuilt the modern corporate international system; OBBBA kept that architecture but adjusted the dials to push competitiveness and anti-haven goals in the direction the 2025 Congress preferred.

The Bottom Line

For today’s investor, the FTC means you can, for instance, invest in a foreign rental property, pay that country’s tax, and largely not worry about extra U.S. tax eroding your return (aside from some U.S. paperwork). Or if you’re expanding your business overseas, you won’t face a tax penalty for profits earned offshore (again, at least up to parity with U.S. rates). It levels the playing field. The foreign tax credit is a straightforward concept, but there are a few pitfalls if you’re not careful.

- **First**, to claim a credit, the tax you paid abroad must be an income tax (or similar) and legally owed. You can’t take credit for VAT, sales taxes, wealth taxes, etc. Sometimes folks

mistakenly think any foreign levy counts – it generally must be an income tax or a tax in lieu of an income tax. Also, you need documentation (foreign tax returns, withholding certificates) to prove what you paid. Trump’s team presumably had to keep track of all those foreign tax payments to support the credits.

- **Second**, the credit is limited to the U.S. tax on your foreign-source income. If you have \$100 of foreign income, and the U.S. tax on that (say 37%) is \$37, that’s the max credit you can use for that \$100 of income. If you paid \$50 in foreign tax on it, you have \$13 of “excess” foreign tax that can’t offset U.S. tax on U.S. income. (There are carryforwards for unused credits for up to 10 years, though.) In Trump’s case, if he had any excess (like paying foreign taxes on a loss year where U.S. tax was zero, leading to unused credits), those credits might carry forward but not be immediately useful. For a small business owner, this typically means you don’t get a refund from the U.S. for foreign taxes – you just reduce your U.S. liability to zero at best.
- **Third**, compliance: when you claim foreign credits, you usually must file Form 1116 (for individuals), which can be a bit complex. There are separate “baskets” for passive income versus general business income to prevent people from mixing high-tax and low-tax income to average out. Ensure you or your accountant allocates income and taxes to the right categories.
- **Fourth**, foreign business structures can complicate matters. If you operate through a foreign corporation, you might not be directly paying foreign tax (the corp is), and the credits don’t flow to you unless you repatriate income or make special elections. As mentioned, TCJA introduced GILTI and other rules that change how corporate owners get credits. This likely affected Trump’s companies, too (he might have had to include some foreign company earnings in U.S. income currently, with partial credits). The takeaway: if you have foreign subsidiaries or complex setups, you need sophisticated tax planning to maximize credits. But if you’re simply earning personally or through a pass-through in another country, it’s usually straightforward.
- **Lastly**, watch out for politics and policy changes. While the foreign tax credit has broad support (it’s not a loophole but a fairness provision), there are sometimes tweaks. For example, the U.S. could renegotiate tax treaties that affect withholding rates, which in turn changes how much credit you might get (since you’d pay less foreign tax by treaty). Or if you’re in an exotic situation like claiming credits for foreign taxes you’re contesting or not actually paid yet, there are rules preventing premature credit. None of this is likely to “bite” a normal business owner, but it’s worth doing things by the book.

Trump's personal returns show "normal" foreign tax credits for his overseas properties, while the real policy action in both 2017 and 2025 was aimed at corporations with global structures – not at individual filers like Trump personally.

In all, the foreign tax credit is a long-standing and widely used mechanism that tries not to disincentivize U.S. companies and investors from seeking opportunities globally. Like any provision of the tax code, its use requires scrutiny and generally benefits from professional implementation.

Trump's usage was pretty normal for an international businessperson, albeit on a large scale. The main caution is making sure every dollar of credit is backed by a dollar of foreign tax paid and properly documented. Do that, and the IRS generally leaves these alone. As one tax professor commented about Trump's returns, the foreign credits and large write-offs "are worth a closer look by auditors,"¹ but credits themselves, if legit, are usually fine. So pay what you owe abroad, claim your U.S. credit, and enjoy not being taxed twice.

If you're engaging in international business for the first time, it's wise to consult with an adviser on foreign tax credit strategy. Consider enlisting the help of a WorthNet partner adviser, hand-selected independent firms who may be able to help structure your operations to maximize credits and utilize any treaty benefits. Global expansion can be great for business, and thankfully, the tax code has provisions like this to support it.

Find your fit at: worthnet.com/find-your-adviser

WorthNet's mission is to connect investors to our curated network of independent partner financial and investment advisers. We receive a referral fee for any client who engages any third-party adviser referred through our service. This compensation creates a material conflict for WorthNet to promote this firm over others. WorthNet is not a client of any third-party adviser who is promoted.

¹ <https://www.businessinsider.com/returns-reveal-trump-paid-more-in-foreign-taxes-than-us-2022-12>

5. Other Reported Aggressive or Contested Positions in Trump's Returns

Conservation easements are the best-known flashpoint in Trump's personal tax records, but public reporting and congressional review have pointed to several other areas where Trump's tax positions were described as aggressive, contested, or audit-worthy.

Consulting Fees Paid to Family Members

Reporting described large "consulting fees" deducted by Trump entities, including payments routed to Ivanka Trump through a separate entity while she was also a Trump Organization executive. Critics suggested some may have functioned like disguised compensation or profit-shifting.

Business-Expense Characterization of Personal or Image-Adjacent Costs

Investigations highlighted deductions that sit close to the line between business and personal spending, such as appearance-related costs tied to media work and certain travel or promotional items.

Deductions Connected to Personal Aircraft

Reviews flagged deductions tied to the business use of Trump's personal aircraft as an area needing closer examination, focusing on allocation between business and personal use.

Deducting Legal Settlements and Litigation Costs

The Joint Committee review referenced certain large legal deductions, including costs related to settling the Trump University lawsuit, raising questions about business nexus.

Loans to Children and Related-Party Lending

The JCT review flagged loan arrangements between Trump and his children, noting that weak documentation could allow recharacterization as gifts.

Large Refunds and Carryback/Carryforward Positioning

Trump's historic refund claims have been subject to a long IRS review, illustrating that aggressive loss positioning can generate refunds but also sustained audit attention.

We mention all of this not to encourage you to pursue any of the above strategies, but to point out that Trump's reputation for being an aggressive user of the tax code to suit his personal interests is probably deserved. But he also has helped, through all the challenges and through his (often unwitting) public record, showcase the handful of strategies that really impacted his ability to grow his wealth faster by leaning on the tax system's many incentives aimed at business owners and investors.

Donald Trump's tax history is a case study of how certain tax provisions have been interpreted and applied, sometimes aggressively. His low tax bills were the product of persistent use of tools that exist in the code: loss carryforwards, depreciation, strategic charitable giving, foreign credits, and small-business deductions.

The important distinction is execution and restraint. Several areas remain under investigation. That reality reinforces a key point: tax incentives are valuable when used as designed, and risky when pushed beyond defensible boundaries.

And, as you've probably seen with the reforms noted throughout this report, he has not been one to shy away from revamping that code to try to provide more such incentives to encourage economic activity.

Why Trump's True Legacy May Be Business Tax Reform (Or #6. The QBI Deduction)

In the lead-up to 2016's presidential election, Hillary Clinton thought she had Donald Trump dead to rights.

The delivery was practiced. She had bullet points. She counted them off...

Maybe these were some of the reasons Donald Trump was known, through required disclosures for his gambling business and leaked tax returns, to have paid no federal income tax for years on end.



And Donald Trump crushed her little speech with 4 simple words: “That makes me smart.”

He simply said out loud what anyone listening knows: the less taxes you pay, the faster wealth can build.

What made Trump smart wasn’t some mastery of the arcane tax code. We highly doubt that he could cite a single section of the code.

But he understood the rules of the game: that the U.S. government, for all its faults and foibles, actively incentivizes investment.

Building businesses. Improving real estate holdings. Investing in America’s entrepreneurs. The tax code is designed to reward the risk takers, to embrace capitalism, and the continued reinvestment of that capital above all else. It is, simply put, America’s biggest superpower. When you really understand what Trump did to “pay zero taxes” – the sheer economic investment, at great personal risk and with enormous leverage, made to get to that point – then you can start to understand two very important things.

First, and probably the reason you picked up this report for yourself, you can start to unwind just

which techniques he employed that you might be able to utilize yourself. While these provisions of the tax code are available to us all, they may not be applicable or appropriate for everyone. Many also require complex structuring and are best done with professional implementation.

Second, you can hopefully start to see the impact that this kind of tax optimization can have on real returns.

Not only did Trump get the sheer economic power of incentivizing the investor to take risks, to build wealth, and to reinvest it... once elected, he made that foundation even stronger. And if you took Hillary's or the media's word for it, you might assume that Trump has disdain for the tax system altogether, seeing himself as above it all. But if you look at his policies instead, the TCJA and OBBBA have combined to reform the U.S. tax system on business in ways that, taken individually, seem distinctly driven toward increasing domestic investment and international competition and cooperation, laudable goals.

Nor were those changes limited to complex rules like the FTC that mostly impact billionaires and multinationals. Many were available to and even aimed at small business owners and individual investors. Those include items like bonus depreciation, but also the QBI previously mentioned.

What It Is

The Qualified Business Income (QBI) deduction is a provision born out of the 2017 Tax Cuts and Jobs Act that grants many small business owners a significant tax break. Specifically, it allows owners of pass-through businesses – e.g., S-corporations, partnerships, LLCs, sole proprietorships – to deduct 20% of their qualified business income off the top, before calculating their tax.

In effect, if you have a qualifying business profit of \$100,000, you might only pay tax on \$80,000, with the \$20k deduction being tax-free. This deduction (also known as the Section 199A deduction) was intended to create parity between the tax treatment of small businesses and big corporations. After the TCJA, C-corporations got their tax rate slashed to 21%.

Meanwhile, successful pass-through businesses (which pay tax on the owner's 1040) could be in brackets up to 37%. The QBI deduction effectively reduces the top rate of 37% down to about 29.6% for eligible business income.

It doesn't completely equalize things (since C-corps have other benefits and double-tax considerations), but it was a huge step toward leveling the playing field for privately-held businesses that tend to use these pass-through tax statuses instead of paying taxes at both the corporate and personal level like larger ones.

The QBI deduction applied from 2018 onward (and, as originally written, was set to expire after 2025, but was more recently made 'permanent' via 2025's One Big Beautiful Bill Act, OBBBA). It has a lot of rules: not all income qualifies (capital gains, interest, etc. are excluded), and certain high-earning professionals (in fields like law, medicine, consulting, etc.) have limitations or phase-outs on the deduction. There's also a wage and property basis limitation for very high earners – basically, to prevent someone with no employees from taking the full deduction if their income is above certain thresholds, unless they have sufficient wages paid or assets in the business. But many small and mid-sized businesses do qualify outright, especially if the owner's taxable income is below the high-income thresholds (around \$364k for joint filers in 2025, indexed). For those who qualify, it's a pure 20% slice of income that's tax-deductible.

Did It Benefit Trump?

While Trump's leaked personal returns from 2015-2020 don't show QBI, as it wasn't in effect until 2018, and he had paper losses in the U.S. in the few cases of years where we have access to his returns and the new provision was in effect. It's probably a safe bet he made use of it in subsequent years, however.

But importantly, **Trump was the driving force behind the creation of QBI**. He saw it as a fairness issue: Why should a small business owner pay a higher tax rate than a big corporation?

With the TCJA, he and Republican lawmakers introduced this deduction to give pass-through businesses a comparable tax cut. It has been hugely popular among entrepreneurs. Surveys and anecdotal reports credit the QBI deduction with enabling owners to reinvest in their companies, hire more staff, and keep more of their earnings for growth. In many cases, it effectively means an extra 7.4% of profits are untouched by federal tax (20% deduction * 37% top rate = ~7.4% of income saved).

That's significant for the "mass affluent" business owner segment – which likely includes many of you reading this. It's worth noting that QBI was not available to wage earners or C-corps, so it was a pure small-business benefit. For all the talk about Trump's tax law favoring the

rich, the QBI deduction specifically targeted small and mid-sized business owners, not giant corporations.

Under President Biden, there were debates about curtailing this deduction for the very highest earners, but no major changes were enacted through 2024. Then came 2025: Trump's OBBBA not only preserved the QBI deduction beyond its original expiry, but codified it as a lasting feature of the tax code (subject to future Congressional changes, of course).

This means business owners can plan on this 20% deduction being around for the foreseeable future, rather than worrying it will disappear after 2025. OBBBA also tweaked some parameters (for instance, raising income phase-out thresholds or simplifying certain rules), but the core concept remains: a big chunk of your pass-through profits is tax-free, thanks to Trump-era policy.

Why It Matters

If you are a profitable business owner, the QBI deduction is likely a valuable deduction on your tax returns each year. It's essentially a 20% "discount" on taxes for doing nothing different – just being in business.

To put it plainly, if your business earned \$200,000 and you qualify for full QBI, you'd deduct \$40,000 and maybe save roughly \$9,000 in federal tax (assuming you're in a 22% bracket) to even \$14,000 (if in the highest bracket). That's money you can use to rehire, upgrade equipment, or simply take home to your family. It narrows the gap between being a Fortune 500 company and a small business owner in terms of tax treatment – to a degree.

From a macro perspective, this deduction has reinforced the pass-through business model as a tax-efficient one. It encourages people to start businesses or remain as pass-throughs rather than rushing to become C-corps solely for tax reasons. There was a fear after TCJA that everyone would incorporate to get the 21% corporate rate; QBI gave a counterbalance to **stay small and private** and still get a good deal.

For investors, if you invest in publicly traded REITs or certain publicly traded partnerships, there's also a 20% deduction on those qualified dividends – another plus (like how some of Trump's income from real estate partnerships might have benefited). Real estate investors who operate via LLCs often get QBI on rental income (if they meet the "trade or business" criteria or use the safe harbor), so it's not just active trade businesses.

When It Might Go Wrong

The QBI deduction, while generous, comes with **fine print**. If you're a **specified service trade or business (SSTB)** – think doctors, lawyers, accountants, consultants, financial advisers – and your personal taxable income is above the threshold (around \$440k for joint filers in 2025, to use an estimate), your QBI deduction phases out to zero.

Trump and Congress basically didn't want very high-earning professionals (who often have few employees or capital investments) to benefit beyond a point. This means, say, a successful physician practice or law firm partner making \$1 million might not get any 199A deduction if over the limits.

That can feel unfair to those folks, but it was how the law was balanced. Planning around that might involve income-splitting, filing separately, or ensuring you maximize retirement plan contributions to lower taxable income under the threshold. But one should obviously not attempt shady tricks like repackaging a law firm into a “real estate company” just on paper to skirt the SSTB rules – the IRS is wise to that.

Another pitfall: if you have **multiple businesses**, aggregation rules can apply to combine them for QBI purposes if beneficial, but doing it wrong can cost deductions. And if your business has low W-2 wages and low fixed assets, but you are high-income, the wage/property limitation might cap your deduction. Some business owners have been caught off guard and couldn't take the full 20% because they didn't pay themselves or their employees much in wages. A strategy there is to potentially increase W-2 wages (even to yourself in an S-corp) to maximize the deduction, as long as it makes economic sense.

One more caution: QBI doesn't reduce self-employment tax or Net Investment Income Tax. It's only for income tax. So you still calculate those other taxes on the full amount. Keep that in mind in your cash flow planning.

Abuse-wise, the IRS watches for people **misclassifying income** to snag a QBI deduction. For instance, if you're an employee somewhere but they “convert” you to an independent contractor artificially so you can claim QBI – that's suspect (and also triggers other issues like labor law).

Overall, straightforward businesses usually have no trouble, but complex scenarios (like operating through multiple entities to separate “good” and “bad” income for QBI) should be handled with professional guidance.

The QBI deduction also introduced a new form (Form 8995/8995-A), which some find confusing. Make sure it's filled correctly to avoid missing optimization opportunities or miscalculating limitations.

Finally, keep an eye on future law changes. While OBBBA 2025 made QBI permanent for now, political winds can shift. A different administration might seek to trim it for high earners or impose more restrictions. Always stay updated through your tax adviser on the current status of Section 199A. But as of now (2025 and beyond), it's here and potentially valuable for business owners.

For personalized strategies – whether it's structuring your business to maximize QBI, or planning an eventual business sale to minimize taxes – consider a session with a WorthNet adviser: worthnet.com/find-your-adviser.

If an exit is on your horizon, firms such as **Socha Capital Wealth Strategies**, one of our partner advisers, work with entrepreneurs on optimizing tax considerations when selling a business. This may include utilizing strategies like the Qualified Small Business Stock exclusion.

Many exit-planning strategies require advance preparation – sometimes years ahead of a transaction. Learning about these considerations early can help business owners better assess timelines, planning requirements, and available options before a sale is imminent. In short, get advice, plan ahead, and engage with qualified tax and finance professionals to help you reach your goals.

Consult with a professional to see which of these complex provisions, if any, apply to your specific situation. Individual results vary based on business structure and profitability.

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