

## § 1.199-0

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to the terms of the agreement or other relationship. In addition, see the exceptions in § 1.197-2(c), including the exception in § 1.197-2(c)(6) for certain rights to receive tangible property or services from another person.

(ii) *Effective/applicability date.* This section applies to supplier-based intangibles acquired after July 6, 2011.

(iii) *Expiration date.* The applicability of this section expires on or before July 1, 2014.

(b)(8) through (l) [Reserved] For further guidance, see § 1.197-2(b)(8) through (l).

[T.D. 9533, 76 FR 39280, July 6, 2011]

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*§ 1.199-9 Application of section 199 to pass-thru entities for taxable years beginning on or before May 17, 2006, the enactment date of the Tax Increase Prevention and Reconciliation Act of 2005.*

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[T.D. 9263, 71 FR 31283, June 1, 2006, as amended by T.D. 9293, 71 FR 61665, Oct. 19, 2006; T.D. 9317, 72 FR 12971, Mar. 20, 2007; T.D. 9381, 73 FR 8800, Feb. 15, 2008; 73 FR 12270, Mar. 7, 2008]

### § 1.199-1 Income attributable to domestic production activities.

(a) *In general.* A taxpayer may deduct an amount equal to 9 percent (3 percent in the case of taxable years beginning in 2005 or 2006, and 6 percent in the case of taxable years beginning in 2007, 2008, or 2009) of the lesser of the taxpayer's qualified production activities income (QPAI) (as defined in paragraph (c) of this section) for the taxable year, or the taxpayer's taxable income for the taxable year (or, in the case of an individual, adjusted gross income). The amount of the deduction allowable under this paragraph (a) for any taxable year cannot exceed 50 percent of the W-2 wages of the employer for the taxable year (as determined under § 1.199-2). The provisions of this section apply solely for purposes of section 199 of the Internal Revenue Code.

(b) *Taxable income and adjusted gross income*—(1) *In general.* For purposes of paragraph (a) of this section, the definition of taxable income under section 63 applies, except that taxable income (or alternative minimum taxable income, if applicable) is determined without regard to section 199 and without regard to any amount excluded from gross income pursuant to section 114 or pursuant to section 101(d) of the American Jobs Creation Act of 2004, Public Law 108-357 (118 Stat. 1418) (Act). In the case of individuals, adjusted gross income for the taxable year is determined after applying sections 86, 135, 137, 219, 221, 222, and 469, and without regard to section 199 and without regard to any amount excluded from gross income pursuant to section 114 or pursuant to section 101(d) of the Act. For purposes of determining the tax imposed by section 511, paragraph (a) of this section is applied using unrelated business taxable income. Except as provided in § 1.199-7(c)(2), the deduction under section 199 is not taken into account in computing any net operating loss or the amount of any net operating loss carryback or carryover.